

Grants to Non-Government Schools

Tabled 9 March 2016

The Auditor-General provides assurance to Parliament on the accountability and performance of the Victorian Public Sector. The Auditor-General conducts financial audits and performance audits, and reports on the results of these audits to Parliament.

On 9 March 2016, the Auditor-General tabled his performance audit report, Grants to non-Government Schools.

Overview

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- The audit examined whether grants to non-government schools are effectively and efficiently managed.
- We found:
 - limited assurance that grants are used for their intended purpose or are achieving intended outcomes
 - weaknesses in funding agreements and grants management.
- There is need to improve funding arrangements and oversight to increase accountability for the use of grants.

The audit examined whether grants to non-government schools are effectively and efficiently managed by the Department of Education and Training, or DET, system administrators and non-government schools.

We found that there is limited assurance that grants are used for their intended purpose or are achieving intended outcomes. This is primarily due to weaknesses in funding agreements and DET's ineffective grants management, including limited oversight of grant recipients and their use of grants, and inadequate monitoring and reporting.

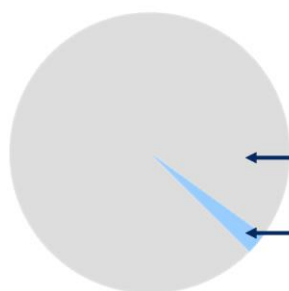
There is a need to strengthen guidelines and funding agreements, and the associated monitoring, oversight and accountability for the use of all grants to non-government schools.

Background



Non-government schools educate around
334 000 or 37% of students

More than **\$640 million** in state
government grants provided in 2014.



← \$624 million largely 'untagged' state recurrent grants

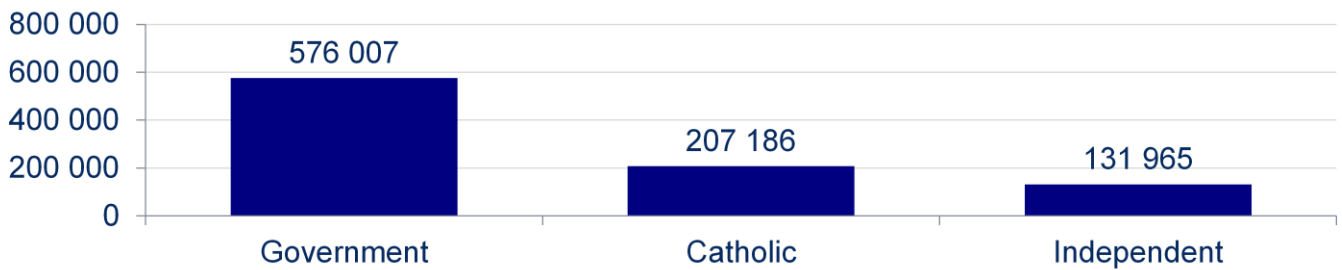
← \$16 million in special purpose grants

Non-government schools provide education to around 334 000 or 37 per cent of all Victorian students.

In 2014, the state provided over \$640 million in grants to the non-government school sector.

\$624 million was provided as state recurrent grants, or SRG which schools must use to meet the general recurrent costs of providing education programs, except for funding for students with disabilities. They also cannot use these grants for capital expenditure. and \$16 million was provided in special purpose grants, which are used to assist students with particular needs.

Number of Victorian students per sector



State recurrent grants paid to each system authority and independent schools, 2014



This slide shows the number of students in government, Catholic and independent schools as at February 2015. The independent school total includes Ecumenical, Lutheran, Seventh-day Adventist and non-systemic independent schools.

It also shows the amount of SRG paid to each system authority and non-systemic independent schools in 2014.

Background

- Use of grants governed by memorandum of understanding (MoU), funding agreements and guidelines.
- Grants provided to system authorities and bodies for distribution to schools, and direct to some non-government schools.
- The Department of Education & Training (DET) is responsible for funding agreements and grants management.

Use of grants is governed by memoranda of understanding, funding agreements and guidelines.

Grants are provided to system authorities and bodies for distribution to schools, and direct to some non-government schools.

DET is responsible for managing grants to non-government schools.

■ Focus of this audit

Key areas examined

- Review of grants and their administration
- Use of grants by the non-government school sector
- Achievement of intended outcomes

Audit scope

- DET, system authorities and bodies and 22 non-government schools
- 2014 assessed—most recent complete school year

The audit included an assessment of:

- grants and their administration
- the use of grants by the non-government school sector; and
- the achievement of intended outcomes.

It included DET, system authorities covering Catholic, Ecumenical, Lutheran and Seventh Day Adventist schools, Independent Schools Victoria and 22 non-government schools.

The audit focused on the use of grants in 2014, which was the most recent complete school year that could be assessed.

DET funding arrangements and oversight

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- No performance measures or related monitoring and reporting for state recurrent grants
- Reporting limited to financial information
- Output reporting for special purpose grants
- Limited and ineffective DET oversight and monitoring

Improve funding agreements, reporting requirements and oversight of the use of grants.

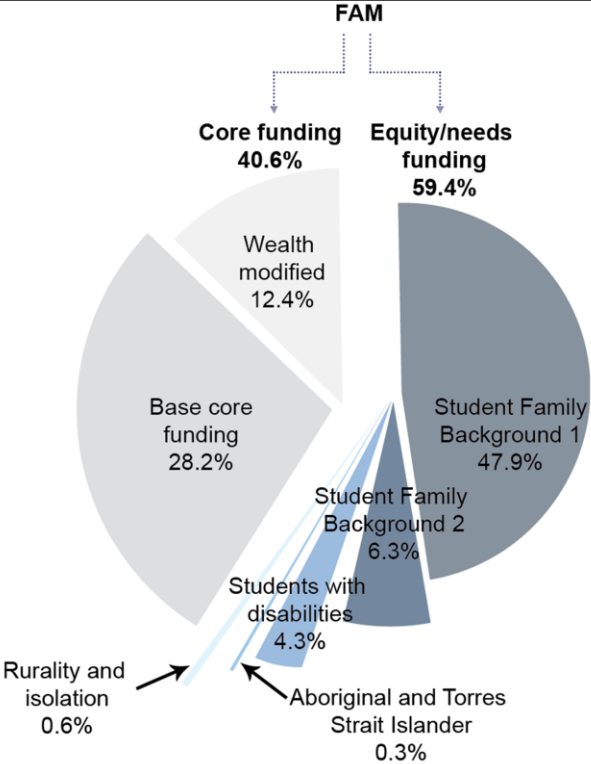
The audit identified significant weaknesses in funding agreements including an absence of performance measures or related monitoring and reporting for SRG. Reporting that does occur is limited to financial information.

Reporting for special purpose grants relates to high-level outputs and there is no oversight of grant recipients by DET.

Overall, DET's oversight and monitoring is limited and ineffective.

Distribution of grants – state recurrent grants

DET allocates using Financial Assistance Model (FAM)



DET allocates SRG, using its Financial Assistance Model or FAM.

The figure shows the make-up of the core and equity components used to allocate the SRG.

Distribution of grants – state recurrent grants

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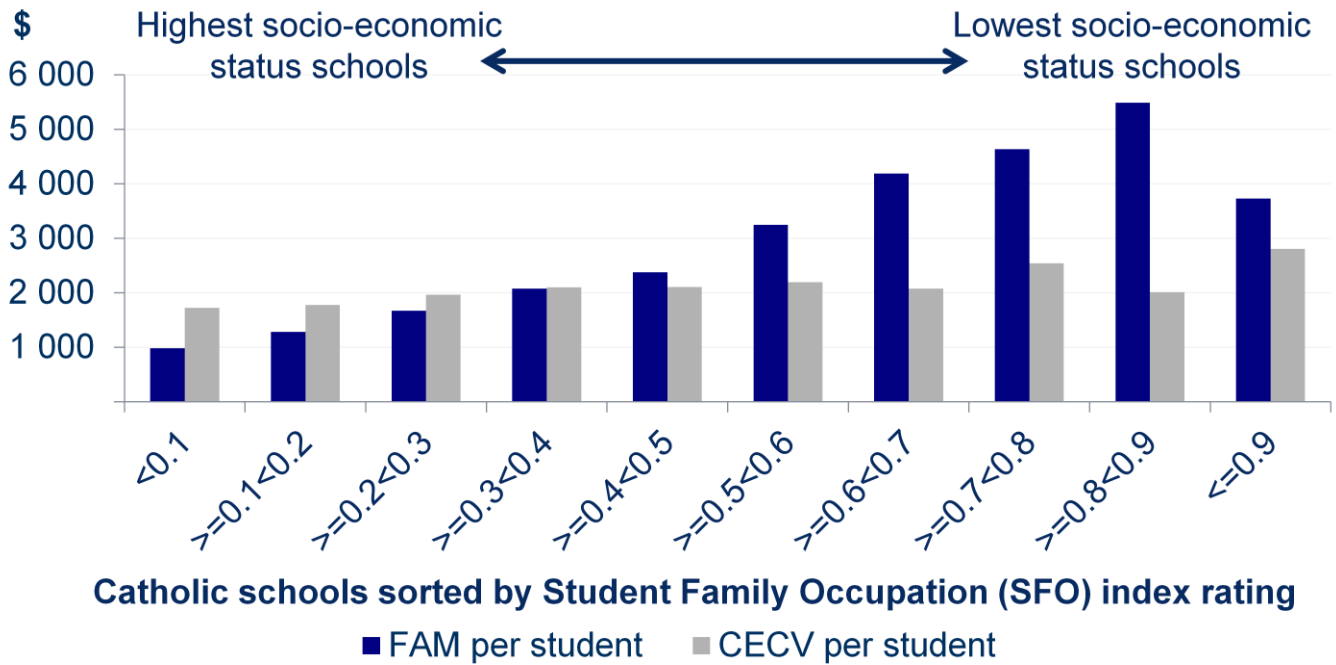
CECV reallocates more than \$400 million in state recurrent grants using its own methodology

- some Catholic schools receive substantially more than they would receive under DET's allocation, and some substantially less
- limited transparency to DET—CECV's methodology and the final allocation to Catholic schools

The Catholic Education Commission of Victoria, or CECV, reallocates more than \$400 million SRG funds using its own methodology. While the guidelines recognise this may occur, some aspects of the agreement and the guidelines suggest an underlying assumption that each school will receive funding in accordance with its FAM allocation.

The overall effect of the CECV's redistribution is that some Catholic schools receive substantially more than they would receive under DET's allocation and some substantially less, and the importance of student-family background in providing SRG funds to individual schools is reduced.

FAM vs CECV funding allocation per student



This slide shows the difference in DET's allocation made using its FAM per student compared to CECV's final allocation per student, with Catholic schools grouped according to student family occupation, or SFO, index rating. Overall, the highest socio-economic status schools, with an SFO index below 0.1, gained an additional 75.14 per cent in student funding while the lowest socio-economic status schools, with an SFO index of greater than 0.4, lost between 11.35 per cent and 63.33 per cent of their funding. This shown in Figure 3D of the report.

Distribution of grants – state recurrent grants

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All other non-government schools receive DET's allocation:

- through the Ecumenical, Lutheran and Seventh-day Adventist system authorities
- direct to non-systemic independent schools

Clarify conditions and requirements around reallocation of recurrent grants by system authorities.

All other non-government schools receive the SRG as allocated by DET, either through their relevant system authorities or directly from the department in the case of non-systemic independent schools.

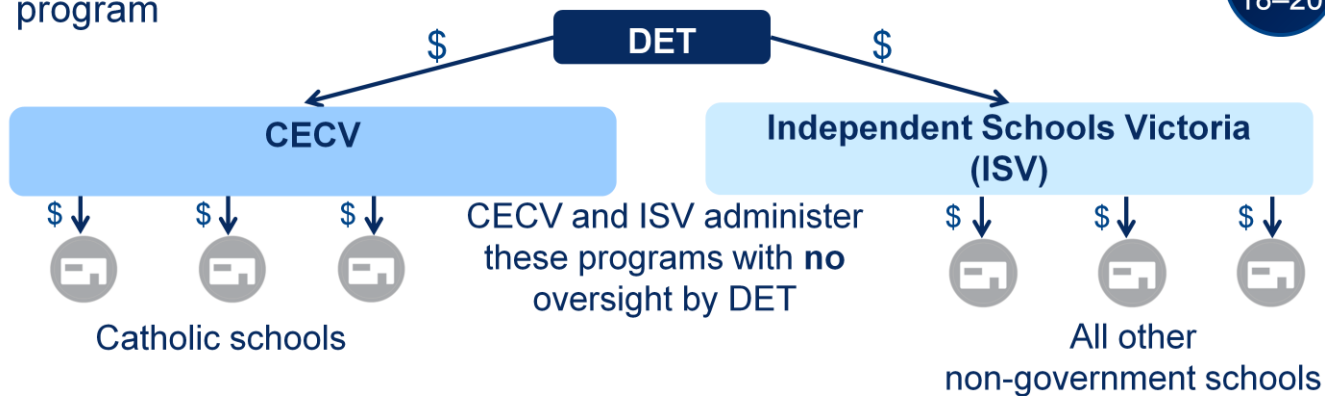
Overall, with regard to recurrent grants, there is a need for DET to clarify conditions and requirements around reallocation of recurrent grants by system authorities.

Distribution of grants – special purpose grants

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Special purpose grants—students with disabilities, support services program

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Improve oversight and reporting on the use of special purpose grants.

DET relies on system authorities to administer and oversee special purpose grants made to non-government schools.

DET's oversight is limited to ensuring that expenditure matches the payments provided.

DET does not oversee or monitor system authorities to assure itself that grants are used for their intended purpose or achieving the intended outcomes.

DET needs to improve oversight and reporting on the use of special purpose grants

Use of grants by non-government schools

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- Tested a cross-section of non-government schools
- Lack of procedures and systems to ensure that grants are used for their intended purpose
- Generally unable to provide evidence that grants had been used as allowed under the funding agreements

Strengthen record keeping and reporting requirements and improve oversight and monitoring of use of grants.

We assessed a sample to 22 non-government schools use of state government grants.

Overall, they lack procedures and systems to ensure that grants are used for their intended purpose, and were generally unable to provide evidence that grants had been used as allowed under the funding agreements

DET needs to strengthen record keeping and reporting requirements and improve oversight and monitoring of use of grants

Recent developments

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- Interim MoU, funding agreement and guidelines for 2016 with some improvements
- New arrangements to be developed to commence in 2017

Continue to strengthen requirements and improve accountability.

DET has begun to address some of the identified issues.

It has developed interim funding agreements, memorandums of understanding and guidelines for 2016, which strengthen performance outcome measures and reporting requirements.

It is important that DET continues to strengthen requirements and improve accountability as it develops arrangements for 2017 and beyond.

Recommendations

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		Accept
That DET:		
1.	continues to improve the state recurrent grant funding agreement so that all relevant Education State targets for non-government schools are explicit and supported by relevant and appropriate performance measures and reporting requirements that enable the department to monitor the achievement of intended outcomes	✓
2.	in conjunction with the non-government schools sector, clarifies and strengthens the record keeping and reporting requirements for the expenditure of all state government recurrent grants so that requirements are explicit and well understood by grant recipients and all non-government schools	✓

We have made five recommendations to DET.

Recommendations relate to:

- Improving funding agreements
- Clarifying and strengthening record keeping and reporting requirement, and

Recommendations

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		Accept
That DET:		
3.	improves special purpose grant funding agreements to ensure they have explicit and measurable outcomes, supported by relevant and appropriate performance measures and reporting requirements that enable the department to monitor demonstrate the achievement of intended outcomes	✓
4.	develops a program of audits of grant recipients and non-government schools to provide assurance grants are used as intended	✓
5.	clarifies any conditions and reporting requirements for system authorities when their distribution of the state recurrent grants varies from DET's allocation to individual schools.	✓

- Developing a program of audits of grant recipients and non-government schools
- Clarifying any conditions and reporting requirements where system authorities reallocate state recurrent grants.

The Acting Auditor-General has made a further audit comment in relation to a number of matters raised by CECV. CECV's response includes a series of assertions and inferences which comprehensively misrepresent the content of VAGO's report.

The executive director of CECV also raises issues with regard to the integrity of the Auditor-General's Office and the conduct of this audit, which suggest the evidence, the findings, the conclusions and recommendations were pre-ordained. These assertions are supported by no evidence, and we emphatically reject them. All Auditors-General are bound by the *Audit Act 1994*, and the Australian Auditing and Assurance Standards, which require audit findings and conclusions to be based on sufficient and appropriate evidence.

CECV's suggestion that VAGO's report will be of little use to schooling in Victoria has already been belied by DET's agreement to implement our recommendations. These should provide significant improvements in accountability and transparency, and give all Victorians confidence that government funds provided to non-government schools are used efficiently and effectively.

Key messages

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Improve funding agreements, reporting requirements and oversight of the use of grants.

Clarify conditions and requirements around reallocation of recurrent grants by system authorities.

Improve oversight and reporting on the use of special purpose grants.

These slides highlight the key messages from the audit.

Key messages

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Strengthen record keeping and reporting requirements and improve oversight and monitoring of use of grants.

Continue to strengthen requirements and improve accountability.

These should be a summary of the messages from the earlier slides.
We are trying to emphasise what the outcome of the audit is – i.e what needs to change

Overall message

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There is a need to improve funding arrangements and oversight to increase accountability for the use of grants to non-government schools.

Overall, there is a need to improve funding arrangements and oversight to increase accountability for the use of grants by non-government schools.

Contact us

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For further information on this presentation please contact:

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All our reports are available on our website.

If you have any questions about this or other reports, or if you have anything else you would like to discuss with us including ideas for future audit topics, please call us on 03 8601 7000 or contact us via our website.