

Appendix A:

Submissions and comments

We have consulted with the Department of Education and we considered its views when reaching our audit conclusions. As required by the *Audit Act 1994*, we gave a draft copy of this report, or relevant extracts, to the Department of Education and asked for its submissions and comments.

Responsibility for the accuracy, fairness and balance of those comments rests solely with the relevant agency head.

Responses received

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Department of Education	A-2



Department of Education

Secretary

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COR260504818

Mr Andrew Greaves
Auditor-General
Victorian Auditor-General's Office
[REDACTED]

Dear Mr Greaves

Proposed report: Delivering School Upgrade Projects

Thank you for your letter on 13 May 2026 and the opportunity to comment on the proposed report for this performance audit.

The Department of Education is committed to continuous improvement and recognises the value of reviewing whether the Victorian School Building Authority (VSBA) is delivering the school upgrade program in line with government expectations. We appreciate the work that VAGO has undertaken in delivering this audit.

The department accepts all 6 audit recommendations, and the department's action plan for these recommendations is attached.

While the department acknowledges many of the findings outlined in the report and has accepted the recommendations, there remain several areas where the department does not agree with VAGO. Throughout the audit process, the department provided detailed feedback and clarification regarding several factual matters. However, the report does not fully reflect this information, resulting in a risk that the significance of the identified issues may be overstated, and that the complexity of the operating environment for delivering major infrastructure programs is not fairly considered.

The department also has concerns regarding the interpretation and publication of school condition data, which when viewed without sufficient contextual information regarding methodology, timing, funding scope and project-specific circumstances, may lead to simplified comparisons or conclusions that do not accurately represent overall asset performance or investment outcomes.

The department's key concerns regarding specific findings are set out below:

Key Finding 1 - Targeting schools in poor condition: 'VSBA does not always make recommendations for school upgrade projects in line with its strategies for improving school conditions'

Framing of issue

The school upgrade program is valued by school communities across Victoria who welcome funding to upgrade and modernise their spaces. With over 1,600 government schools across the State, government balances a range of factors including condition assessments, enrolment projections, and pre-existing project plans, when determining which school upgrade and modernisation projects to

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fund.

Throughout the report, VAGO has framed the purpose of the school upgrade program by stating that the program is in place to “make sure no school is in poor condition by 2034”. This is not accurate as the school upgrade program is in place to upgrade and modernise schools.

Advice to government

VAGO has misunderstood the role of the department in providing advice and the role of the department in supporting the preparation of a Minister’s business case which seeks funding through the annual state budget process and has conflated these processes. The department accepts that there is an opportunity to further mature its documentation processes.

Key Finding 2 - Delivering school upgrade projects: ‘VSBA’s costings and timelines for school upgrade projects are not always transparent’

Costings process

The department agrees it is important that both government and the Victorian community have confidence the department can deliver school upgrade projects on time and on budget and is transparent about any changes to these parameters.

When developing the costings for a project, the VSBA uses all available information, which is refined over time, to ensure each individual school project receives the funding it needs to deliver an announced project. The VSBA uses a costing model with portfolio-wide assumptions, which are then customised to reflect each school’s unique circumstances. VAGO has described this process as ‘ad hoc,’ when instead the department’s approach enables accurate costings tailored to individual schools to be calculated. The department does acknowledge that further maturity of the documentation of this costing approach is needed and has accepted the relevant recommendation.

Delivery metrics

The vast majority of school capital projects delivered by the VSBA are completed on time and on budget. Where there are changes to delivery dates or announced Total Estimated Investment (TEI) these are reported annually in Budget Paper 4 (BP4).

VAGO has used internal reporting documents to infer that a significant number of projects are not delivered on time or on budget, instead of using final project data as reported in BP4 that is in the public domain and follows whole-of-government requirements regarding time and budget data.

This reporting is in line with the *Financial Management Act 1994* and the *Resources Management Framework* requirements and includes additional funding contributions from a school or other third party to increase the scope of the project. These types of projects have a revised TEI that is published in BP4 and do not reflect an exceedance of the project budget for the announced scope as allocated in a State Budget.

While VAGO has indicated that costs have exceeded VSBA’s estimate in 29 per cent of projects, the correct figure is 10.8 per cent of projects.

Where VAGO indicated that timelines have exceeded VSBA’s estimate in 25 per cent of projects for the period 2017-18 and 2025-26, the correct figure is 18.7 per cent of projects. It should be noted that the period under review by VAGO includes of the COVID-19 pandemic and associated industry shutdowns for construction projects (noting school upgrade projects were not categorised as

essential projects).

Financial controls

VAGO has stated that “VSBA does not have adequate controls over key financial data.” The audit did not investigate any of the department’s financial controls and the department rejects this assertion.

Key Finding 3 - Meeting school needs: ‘VSBA could do more to make sure upgrades meet school needs’

Factual inaccuracies

While the department is always seeking to improve our ways of working with schools, there are a number of factual inaccuracies in this section. The department wishes to confirm that the VSBA:

- does consider whole of life costs when approving project variations, lifecycle considerations are embedded in the approved design and standards framework within which variations are assessed
- has multiple channels for schools and suppliers to provide feedback on their school upgrade project and on the VSBA
- does have a formal process for evaluating school upgrade project compliance with the VSBA’s Building Quality Standards Handbook which is managed through the VSBA’s Capital Program Assurance Service.

Data dashboard

The department does not support the publication of condition scores in this dashboard as it is fundamentally misleading, implying a causal relationship between the datapoints, and not necessarily reflective of the current condition score of a school. It also does not include other infrastructure funding that a school has received.

As provided to VAGO, and publicly stated, condition scores are generated as part of the Rolling Facilities Evaluation (RFE) program, which delivers condition assessments to every government school across a 5-year cycle. A single condition score is just one element within a comprehensive asset management system that identifies, prioritises, and addresses maintenance issues to ensure schools remain safe and in good condition.

Condition scores are a snapshot of a school’s condition at a point in time and are not updated after maintenance works. This means the scores are outdated almost immediately, when maintenance works are undertaken, and therefore do not necessarily reflect the current condition of the school.

Schools receive funding through the Planned Maintenance Program (PMP) to address high priority maintenance tasks identified through their RFE condition assessments but are responsible for addressing remaining RFE maintenance tasks as part of School Maintenance Plans, using funds allocated under the Student Resource Package. When the Planned Maintenance Program addresses Priority condition issues identified by the RFE, conceptually the score improves. It is also the department’s strong view that publication of the dashboard is misleading as it assumes a causal relationship between the datasets, and it is not in the public interest to publish these datapoints together.

Should your staff wish to discuss the department’s response, please contact Shamiso Mtenje, Executive Director, Assurance, Knowledge and Executive Services on [REDACTED] or [REDACTED]

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Response provided by the Secretary, Department of Education, *continued*

[REDACTED]

Yours sincerely



Tony Bates PSM

Secretary
26/05/2026

Encl.: Department's feedback on the proposed report and final action plan

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DE action plan: Delivering School Upgrade Projects

#	Recommendation	Response #	The Department will:	By
1	Amend the Capital Investment Strategy so it includes all factors that influence funding prioritisation, including how the factors are weighted, and set up a process to regularly review and endorse the strategy through an appropriate governance forum.	Accept 1.1	Update the Capital Investment Strategy to include all relevant factors (noting that relevant factors change over time). The updated Capital Investment Strategy will include detail on its review cycle and governance responsibility.	June 2027
2	Expand project costings to include: <ul style="list-style-type: none"> • all rates and assumptions used in the standard costing process • guidance on when and how to document reasons for adjusting a standard costing • a review and approval process for major cost changes. 	Accept 2.1	Update the Costing Process Manual to include additional detail around: <ul style="list-style-type: none"> • How rates and assumptions are applied in the costings process, including adjustments to account for specific known factors • Guidance for minor adjustments to standard costings (for example, escalation required) • The process for the review and approval of the cost changes. 	June 2027
3	Expand the data governance framework to include all publicly reported data to better assure its quality and accuracy.	Accept 3.1	Broaden the Data Governance Framework over time to include publicly reported datasets. This includes identifying roles and responsibilities associated with the datasets and establishing reporting and data quality management processes to ensure quality and accuracy.	June 2027
4	Establish a process for structuring contingencies that: <ul style="list-style-type: none"> • accounts for a project's uncertainty and risk • allows for changes once more information is known 	Accept 4.1	Clarify existing cost-planning and project governance guidance to more explicitly articulate how contingencies are structured to reflect early-stage uncertainty, and how contingency and risk are reviewed and refined as projects move through the formal cost-planning and approval phases and more information becomes available.	December 2026

DE action plan: Delivering School Upgrade Projects

#	Recommendation	Response #	The Department will:	By
5	Create guidance for schools that explains how the Portfolio Asset Management Allowance (PAMA) is set and the services it allows the Victorian School Building Authority to deliver.	Accept	5.1 Update guidance on the Policy Advisory Library that explains PAMA.	December 2026
6	Support schools to make informed decisions about whole-of-life costs for school upgrade projects by providing: <ul style="list-style-type: none"> • training and information to help school staff make decisions that may affect a project's long-term costs • information schools need to assess the material whole-of-life cost implications of decisions made during upgrade projects. 	Accept	6.1 As part of the first stage of the asset management plan process, update Bricks and Mortar Training to include more detailed information on whole of life costs to guide schools during the upgrade process when making decisions that may impact a project's long-term costs. 6.2 Update the Project Control Group agenda template to further clarify and make explicit to schools whole-of-life cost implications at key project decision points.	December 2026