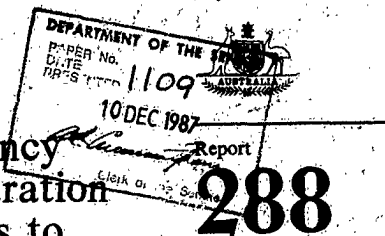


Review of Efficiency
Audit—Administration
of Capital Grants to
Non-government Schools



Joint Committee of
Public Accounts



THE PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA
JOINT COMMITTEE OF PUBLIC ACCOUNTS

REPORT 288

**CAPITAL GRANTS TO NON-GOVERNMENT
SCHOOLS**

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CANBERRA 1987

DUTIES OF THE COMMITTEE

Section 8.(1) of the Public Accounts Committee Act 1951 reads as follows:

Subject to sub-section (2), the duties of the Committee are:

- (a) to examine the accounts of the receipts and expenditure of the Commonwealth including the financial statements transmitted to the Auditor-General under sub-section (4) of section 50 of the Audit Act 1901;
- (aa) to examine the financial affairs of authorities of the Commonwealth to which this Act applies and of intergovernmental bodies to which this Act applies;
- (ab) to examine all reports of the Auditor-General (including reports of the results of efficiency audits) copies of which have been laid before the Houses of the Parliament;
- (b) to report to both House of the Parliament, with such comment as it thinks fit, any items or matters in those accounts, statements and reports, or any circumstances connected with them, to which the Committee is of the opinion that the attention of the Parliament should be directed;
- (c) to report to both Houses of the Parliament any alteration which the Committee thinks desirable in the form of the public accounts or in the method of keeping them, or in the mode of receipt, control, issue or payment of public moneys; and
- (d) to inquire into any question in connexion with the public accounts which is referred to it by either House of the Parliament, and to report to that House upon that question,

and include such other duties as are assigned to the Committee by Joint Standing Orders approved by both Houses of the Parliament.

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PREFACE

This report outlines the findings of the Public Accounts Committee's review of the Auditor-General's Efficiency Audit Report on the Commonwealth School's Commission's administration of capital grants to non-government schools. The Auditor-General's report was tabled on 23 September 1986.

The efficiency audit examined aspects of the capital grants program, especially procedures for the processing, assessment and approval of applications for grants. The audit also examined the administration of approved projects, the information base and internal review of the program.

The Committee notes that some of the findings and recommendations of the audit were out of date because of the delay in tabling the report after the collection of data. The Committee did not inquire into matters relating to the operation of the program that would not be relevant following the introduction of new arrangements for the payment of capital grants to non-government schools from the beginning of 1988.

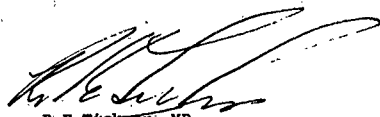
The Committee's main concerns related to the need for a clear set of objectives with a means of measuring performance against these objectives, for comprehensive and up-to-date policy and procedure documents, for appropriate methods of measuring schools' educational, financial and socio-economic needs, and of using these factors to determine eligibility and priority for grants. The Committee was also concerned about the need to protect the Commonwealth's financial interest in assets after they had ceased being used for approved purposes or were sold.

The Committee was pleased to note that the Department had taken action on a number of matters highlighted in the Auditor-General's Report or in the Committee's public hearings.

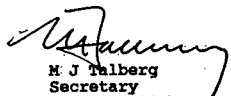
(v)

The Committee is grateful to officers of the Department of Employment, Education and Training and the Commonwealth Schools Commission, as well as to members of the National Council of Independent Schools and the National Catholic Education Commission for their co-operation and assistance during the inquiry. The Committee would also like to thank the staff of Patrician Brothers High School, Blacktown and Christian Community School, Regents Park, for their assistance during the Committee's inspections of their schools.

For and on behalf of the Committee.



R. E. Tickner, MP
Chairman



M. J. Talberg
Secretary
Joint Parliamentary Committee
of Public Accounts
Parliament House
CANBERRA
19 November 1987

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LIST OF RECOMMENDATIONS

The Committee has made a number of recommendations which are listed below, cross referenced to their locations in the text. The Committee's analysis in the text should be referred to when considering these recommendations.

The Committee recommends that:

- 1 The Department of Employment, Education and Training develop an agreed statement of objectives for the program and that these objectives be stated consistently in various documentation. (paragraph 2.6)
- 2 The Department of Employment, Education and Training develop valid performance indicators which relate to the agreed objectives. (paragraph 2.6)
- 3 The Department of Employment, Education and Training complete its development of a comprehensive and integrated set of manuals (and other appropriate documents) which together provide policy guidance and information about administrative procedures. (paragraph 2.19)
- 4 The Department of Employment, Education and Training develop and maintain mechanisms to ensure that policy and procedure documents are kept up-to-date. (paragraph 2.19)
- 5 The Department of Employment, Education and Training train staff in the use of the manuals. (paragraph 2.19)
- 6 The Department of Employment, Education and Training continue the development of a standard method for block grant authorities to assess the financial need of applicant schools. (paragraph 2.27)
- 7 The Department of Employment, Education and Training seek discussions with State and Territory educational authorities and representatives of non-government schools to determine whether the varying area standards of the Commonwealth and States can be rationalised. (paragraph 2.27)
- 8 The Department of Employment, Education and Training clarify in its guidelines the effect that socio-economic status has on a school's eligibility for a grant. (paragraph 2.33)

- 9 The Department of Employment, Education and Training consider adopting the Educational Resource Index ratings as a measure of socio-economic disadvantage (in their present or modified form) for the purpose of determining capital grant eligibility or that it develop a more precise method for determining socio-economic status. (paragraph 2.33)
- 10 The Department of Employment, Education and Training clarify the relative importance of socio-economic status, financial need and educational need in determining eligibility and priority for capital grants. (paragraph 2.37)
- 11 The Department of Employment, Education and Training seek legal advice as to its current capacity to enforce recovery action. (paragraph 2.45)
- 12 The Department of Employment, Education and Training publish comprehensive guidelines which address the protection of the Commonwealth's financial interest, particularly in situations where schools close or where assets cease to be used principally for an approved purpose. (paragraph 2.45)
- 13 The Department of Employment, Education and Training provide a report to the Committee when its investigations into closures during the last three years are completed. (paragraph 2.45)
- 14 The Department of Employment, Education and Training ensure that schools receiving grants are aware of their obligations in relation to the Commonwealth's financial interest. (paragraph 2.45)
- 15 The Department of Employment, Education and Training provide statistical information in relation to section 26(2)(c) of the States Grants (Schools Assistance) Act 1984 in its annual report. (paragraph 2.45)
- 16 The reasons for the block grant authorities not recommending projects for approval should be listed in the schedules sent to the Department of Employment Education and Training's central office. (paragraph 2.49)
- 17 The Department of Employment, Education and Training develop and implement a comprehensive and integrated information strategy for the capital grant program. (paragraph 2.56)

- 18 The Department of Employment, Education and Training explain its information needs to prospective sources and settle the type of information to be collected and methods of collection on a consultative basis. (paragraph 2.56)
- 19 The Department of Employment, Education and Training seek to establish the reasons for differential success rates of grant applications and Commonwealth contributions to total building costs between States. (paragraph 2.60)
- 20 The Department of Employment, Education and Training continue to monitor the success rates of the grant applications and the proportion of the Commonwealth contribution to final building costs from State to State. (paragraph 2.60)
- 21 The Department of Employment, Education and Training review its procedures, forms and practices including its method of identifying schools, to ensure that:
 - application forms for capital grants for schools in the national pool require only essential information to be provided;
 - information already in the Department's possession be used in assessing capital grant applications when this is consistent with sound administrative practice;
 - the Department seeks information from schools and block grant authorities in a systematic manner. (paragraph 2.66)
- 22 The Department of Employment, Education and Training explain its information needs to schools and settle the type of information to be collected and method of collection on a consultative basis. (paragraph 2.66)
- 23 The Department of Employment, Education and Training examine the funding outcomes for schools of equal socio-economic status affiliated with different block grant authorities to ensure that anomalies do not result from the current funding formula. (paragraph 3.14)
- 24 The Department of Employment, Education and Training ensure that all block grant authorities understand its expectations of them, particularly in terms of the documentation required to support their recommendations for grants. (paragraph 3.17)

25. The Department of Employment, Education and Training direct staff savings resulting from these changes to improvements in the quality of guidelines and other documentation relating to the program as well as to the systematic monitoring of the program's effectiveness. (paragraph 3.17)
26. The Australian Audit Office's planning for efficiency audits should take account of the likelihood of some staff movement during the audit and of other demands on that Office's staffing resources. (paragraph 5.9)
27. Where efficiency audits have not been tabled within twelve months of the beginning of preliminary data collection, the Australian Audit Office should provide a full and frank statement of reasons for the delay in the report of the audit. (paragraph 5.9)
28. The Australian Audit Office should prepare a set of explanatory documents to assist auditees to fully comply with the demands of an efficiency audit. (paragraph 5.9)
29. The Australian Audit Office ensure that its recommendations are sufficiently detailed to enable auditees to be clear about their scope and intention. (paragraph 5.15)
30. The Australian Audit Office include a statement of the administrative context within which the auditee is operating in its efficiency audit reports. (paragraph 5.15)
31. The Australian Audit Office prepare cost estimates (in dollars) of each audit prior to its commencement. (paragraph 5.19)
32. The Australian Audit Office monitor the cumulative cost of each audit. (paragraph 5.19)
33. The Australian Audit Office report both the estimated and final cost of each efficiency audit in the report of that audit. (paragraph 5.19)
34. Where the final cost of the audit is greater than the estimate, the reasons for this should be stated in the report. (paragraph 5.19)

ABBREVIATIONS

AAO	Australian Audit Office
BGA	Block Grant Authority
CASPA	Capital Assistance to Schools Program Administration
ERI	Educational Resource Index
NCEC	National Catholic Education Commission
NCIS	National Council of Independent Schools
FFC	Planning and Finance Committee

CHAPTER 1

BACKGROUND

- . The Capital Grants Program
- . Overview of the Efficiency Audit
- . The Committee's Inquiry

The Capital Grants Program

1.1 The Commonwealth has developed a range of education-related programs which have been classified in three broad areas. These are support for educational institutions, the provision of assistance to students and the development of education policy.¹ Capital grants for both government and non-government schools are part of the program of support for educational institutions. Another major element of this support is the payment of recurrent grants to schools.

1.2 Capital grants for building and equipment projects at non-government schools are authorised under Part III of the States Grants (Schools Assistance) Act 1984 as amended. The Act currently is administered by the Capital Grants Branch in the Schools Division of the Department of Employment, Education and Training, as well as through the Department's State and Territory offices. This program was the responsibility of the Commonwealth Schools Commission during the audit. Its administration was transferred to the then Department of Education on 12 September 1985 and to the Department of Employment, Education and Training on 24 July 1987.

1.3 At the time of the field investigations for the audit (October 1984 to April 1985), the capital grants program had five elements which applied to non-government schools. These were:

- . general capital grants;
- . upgrading grants;
- . libraries grants;
- . secondary facilities grants; and
- . Aboriginal and Torres Strait Islander Schools grants.

1.4 The upgrading, libraries and secondary facilities elements were absorbed into the general capital grants element from 1986. A disabled students element was added from that year as a result of the Government's decision to transfer responsibility for the administration of capital grants for children with disabilities from the Department of Community Services to the then Department of Education.

1. Department of Education, Annual Report 1985-86, AGPS, Canberra, 1986, p.v

1.5 There currently are three elements in the capital grants program:

- the general capital element;
- the disabled students element; and
- the Aboriginal and Torres Strait Islander element.

The latter two elements are administered through the Department's central office. During 1985 there were 181 grants to non-government schools under this program from a total of 462 applications.²

1.6 For the 1987 school year the Commonwealth has allocated a total of \$55 926 000 for capital grants to non-government schools; its allocation to government schools is \$154 463 000.³ Table 1.1 provides details of the allocations and their distribution between program elements and States.

TABLE 1.1
CAPITAL GRANTS FOR GOVERNMENT AND
NON-GOVERNMENT SCHOOLS, 1987

State/Territory	Allocation	
	Government	Non-government
	\$'000	\$'000
General capital element		
NSW	51 348	16 932
Vic	38 125	15 482
Qld	25 258	8 008
WA	14 086	3 931
SA	13 278	3 326
Tas	4 481	1 174
NT	1 824	489
ACT	*	1 292
Sub Total	148 400	50 634
Aboriginal and Torres Strait Islander element	6 063	2 425
Disabled student element	*	2 867
TOTAL	154 463	55 926

* Not applicable

SOURCE: Commonwealth Department of Education and Commonwealth Schools Commission, Commonwealth Programs for Schools, p.9

1.7 In addition, the Commonwealth is providing recurrent grants of approximately \$1 220 million to Australian schools in 1987. For government schools, this represents a payment of \$180 per primary student and \$230 per secondary student. Funds for non-government schools are distributed on a needs basis. Grants range from \$310 for a primary student in a category 1 primary school to a \$1 472 maximum rate for a secondary student at a category 12 school.⁴ Full details of these payments are given in Table 1.2.

TABLE 1.2

COMMONWEALTH GENERAL RECURRENT GRANTS PER STUDENT
FOR NON-GOVERNMENT SCHOOLS 1987

ERI Rating ⁵	Category	Primary Rate		Secondary Rate	
		Base	Maximum	Base	Maximum
		\$	\$	\$	\$
88 and above	1	310	310	491	491
76-87	2	412	412	654	654
51-75	3	422	444	662	685
46-50	4	624	624	992	992
41-45	5	631	652	997	1011
36-40	6	637	677	1006	1047
31-35	7	643	700	1014	1085
26-30	8	858	884	1352	1368
21-25	9	860	902	1358	1396
16-20	10	863	920	1364	1425
11-15	11	867	937	1369	1448
0-10	12	872	955	1375	1472

SOURCE: Commonwealth Department of Education and Commonwealth Schools Commission, op cit, p.6

1.8 Capital grants currently are paid to individual schools. Following receipt of an application, a state-based Planning and Finance Committee (PFC) examines the proposal and makes recommendations to the Department on the priority which should be afforded to the application. People are appointed to the PFCs by the Minister on the basis of their expertise and experience in relation to education generally or in relation to educational buildings. They typically include people with experience in government and non-government school systems as well as officers of the Department.

4. Ibid, p.6.

5. The Education Resources Index (ERI) is a measure of the income from private sources available to a school compared with a standard level of resources representing basic educational needs of schools.

2. Ibid, p.63

3. Commonwealth Department of Education et al, Commonwealth Programs for Schools: Administrative Guidelines for 1987, AGPS, Canberra, 1987, p.9

1.9 Recommendations of the Planning and Finance Committees are considered by the Department at State level and then forwarded to central office for initial approval. After initial approval, tenders are called. A final decision on the application is made following the receipt of satisfactory tenders.

1.10 The Government has announced that as from 1 January 1988, subject to the passage of necessary legislation, capital grants will be allocated as a block grant for internal distribution by authorities set up for that purpose.⁶ The Commonwealth will continue to determine priorities for the use of these funds and distribution proposals will require Ministerial approval.

1.11 Schools not wishing to be considered as part of a block will be treated as part of a national pool of schools. Applications for capital grants from these schools will be considered under similar arrangements to those applying at present. The Department expects that there will be two block authorities in each State. Catholic systemic schools will probably form one block and independent schools the other block.

Overview of the Efficiency Audit

1.12 The audit sought to investigate several aspects of the capital grants program including the procedures for processing applications and the administration of approved projects. The functioning of Planning and Finance Committees was assessed as was the adequacy of the program's information base. The relevant internal review mechanisms also were examined.

1.13 The audit was conducted in the New South Wales, Victorian and Queensland Offices of the Commission as well as in its central office. It did not cover the Aboriginal and Torres Strait Islander element of the program.

1.14 Work on the diagnostic phase of the audit was undertaken from October to December 1984. Detailed information was gathered in the Commission's offices from January to April 1985 and provisional findings were presented to the Commission on 2 August 1985 in an audit paper. Audit and Commission officers discussed these findings on 6 September 1985. The Department provided Audit with written comments on the report on 11 October 1985 following consultation with the Commission Secretariat.

1.15 The proposed report was presented to the Commission and the Department on 13 March 1986 in accordance with sub-section 48F(3) of the Audit Act 1901. The Department and the Commission responded in writing to the proposed report on 14 and 15 April 1986 respectively.

1.16 The final report of the audit was forwarded to Parliament on 23 September 1986. The sequence of major steps in the audit and associated dates is shown at Table 1.3.

TABLE 1.3
CAPITAL GRANTS TO NON-GOVERNMENT SCHOOLS
MAJOR STEPS IN THE EFFICIENCY AUDIT

1	Diagnostic phase	October to December 1984
2	Data gathering in the Commission's offices	January to April 1985
3	Data analysis/paper preparation	May to July 1985
4	*Paper setting out audit's provisional findings provided to Schools Commission	2 August 1985
5	Meeting between Audit and Commission officers to discuss provisional findings	6 September 1985
6	Department of Education provided written comments to Audit (after consultation with Schools Commission)	11 October 1985
7	Proposed audit report provided to Schools Commission and Department of Education in accordance with section 48f(3) of the <u>Audit Act</u> 1901	13 March 1986
8	Response to proposed report by Department of Education provided to Audit	14 April 1986
9	Response to proposed report by Schools Commission provided to Audit	15 April 1986
10	Report forwarded to Parliament	23 September 1986

* Note 2 August 1985 also was the date that the Auditor-General officially designated the audit as being an efficiency audit.⁷

6. Joint Parliamentary Committee of Public Accounts, Administration of Capital Grants to Non-Government Schools, Minutes of Evidence, p. 219.

7. Australian Audit Office, Annual Report 1985-86, AGPS, Canberra, 1986, p.12

1.17 The audit found that there were serious deficiencies in the administration of the program. These deficiencies were, inter alia, that:

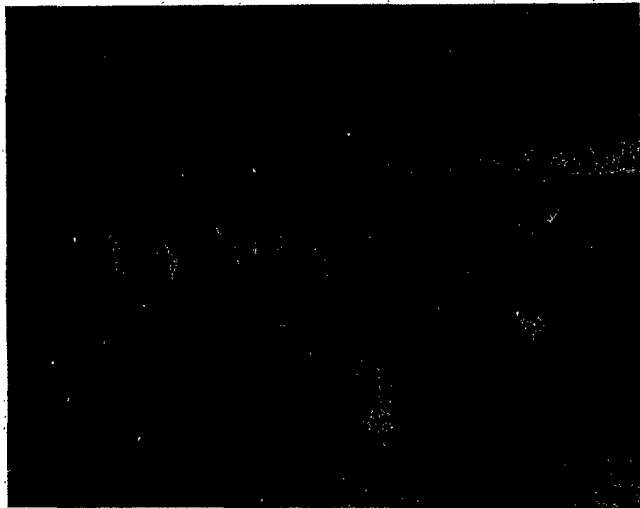
- there was a lack of clear and comprehensive guidelines for the program and its administration;
- particular operations of the Planning and Finance Committee and the Commission could have been more efficient and effective and been subject to improved monitoring;
- guidelines for schools applying for grants were not issued on time and did not contain sufficient relevant information;
- the process for assessing educational and financial need was inadequate;
- the Commission did not adequately assess the impact on existing schools of proposals creating new school places;
- the Commission did not protect the Commonwealth's financial interest in assets acquired with capital grants;
- the program's information base was inadequate; and
- the Commission failed to observe established procedures for the expenditure of public moneys in approving a grant to a particular school.⁸

1.18 A complete list of Audit's recommendations and a summary of the Department of Education's written responses to these is at Appendix A.

The Committee's Inquiry

1.19 The Auditor-General's report initially was referred by the Full Committee to a sectional committee chaired by Mr L R Price, MP. The Committee examined the responses of the Department of Education and the Schools Commission to the report's findings and recommendations. It investigated the Department's level of preparation for the introduction of the block grant system. The Committee also inquired into the conduct of the audit by the Australian Audit Office.

8. Australian Audit Office, Efficiency Audit Report (Commonwealth Schools Commission: administration of capital grants to non-government schools), AGPS, Canberra, 1986, p.1



Mr T Keogh (Catholic Education Office), Mr M Talberg (Secretary, PAC), Mr J Poad (Architect), Mr R Price, MP, Mr J Eaves (Deputy Principal), Father T Crowley (Parish Priest), Mr P Ruddock, MP, Mr A Morgan (Seconded to PAC), Brother B Bulfin (Principal) and Senator J Watson, during an inspection of a new facility at Patrician Brothers High School, Blacktown, built with Commonwealth assistance under the capital grants program. (May 1987)

1.20 The Committee noted that some of the findings and recommendations of the audit were out of date because of the delay in tabling the report after the collection of data. The Committee decided not to inquire into matters relating to the operation of the program that would not be relevant following the introduction of the block grant arrangements.

1.21 Public hearings were held on 27 April 1987 at which representatives of the Department of Education, the Commonwealth Schools Commission and the Australian Audit Office appeared as witnesses. The Department of Finance gave evidence on 13 May 1987. Representatives of the National Council of Independent Schools appeared as witnesses at a hearing on 27 May 1987. The Department of Education also was recalled to give further evidence on 27 May.

1.22 A list of witnesses appearing before the Committee is at Appendix B. Details of submissions received by the Committee are at Appendix C.

1.23 The Committee undertook site visits to two schools in Sydney on 18 May 1987. These schools were Patrician Brothers High School at Blacktown and Christian Community High School, Regents Park. These visits provided members of the Committee with an opportunity to speak with representatives of these schools about their experiences in applying for capital grants, as well as to inspect the completed buildings.

1.24 The inquiry was adjourned as a result of the prorogation of Parliament in June 1987. Following the reconvening of Parliament in September 1987, and the re-appointment of the Public Accounts Committee in October 1987, a sectional committee chaired by Senator J McKiernan completed the inquiry.

CHAPTER 2

RESPONSES TO THE AUDIT REPORT

- . Overview
- . Objectives of the Capital Grants Program
- . The Existence and Adequacy of Administrative Guidelines
- . Definition and Measurement of Educational and Financial Need
- . Socio-economic Disadvantage
- . Eligibility and Priority for Grants
- . Commonwealth Financial Interest in Approved Projects
- . Processing of Applications
- . Management Information and Automatic Data Processing
- . Internal Review Activity
- . Forums and Information Sought from Schools

Overview

2.1 This chapter looks at the findings of the Auditor-General in relation to the Capital Grants Program, focusing on those issues which would remain relevant following the introduction of the Block Grant Authorities. It covers the first seven points listed in paragraph 1.16 of the previous chapter - the deficiencies identified by the audit. The final item is examined in Chapter 4.

Objectives of the Capital Grants Program

2.2 The major objectives of any Commonwealth program should be stated clearly and precisely. This would provide:

- . staff and the program's clients with an accurate appreciation of what the program is seeking to achieve; and
- . Parliament, program managers and the public with a basis for judging whether the objectives have been met.

2.3 Program objectives should relate to the end purpose of an activity rather than to the means adopted to achieve the end or to intermediate objectives. This is most successfully done by stating objectives in terms of their impact on the ultimate consumer/beneficiary of the program. In the case of education, objectives should relate to students.

2.4 Prior to 1987, there was no consumer orientation in the capital grants program objectives. Rather, objectives were written in terms of providing school buildings or facilities. In the Administrative Guidelines for 1987 (p.9) and in the draft of the Capital Grants Program Information Booklet there is reference to improving educational outcomes of students as an objective (paragraph 10.5). In the most recent draft guidelines document, submitted after the public hearing, the Department has provided a further statement of objectives. It indicates that the

Government's primary objective is to 'improve educational outcomes in schools catering for students from low socio-economic backgrounds'.¹ This statement meets the Committee's concerns about objectives being outcome and client oriented, and is also consistent with the Department's statements at the hearings.² There remains a requirement for the Department to settle a more comprehensive agreed statement of objectives.

2.5 The Department listed in its submission to this inquiry a set of performance indicators it had developed to measure the achievement of program objectives.³ These performance indicators appear to refer to a set of objectives prior to 1987 as they make no reference to educational outcomes. In addition, the Department at the hearings was unclear as to how it proposed to measure the achievements of the program's primary objective.⁴ The Committee acknowledges that a sophisticated methodology may be required to measure performance but considers that this task should be given a higher priority by the Department.

2.6 The Committee recommends that:

- 1 the Department of Employment, Education and Training develop an agreed statement of objectives for the program and that these objectives be stated consistently in various documentation; and
- 2 the Department of Employment, Education and Training develop valid performance indicators which relate to the agreed objectives.

The Existence and Adequacy of Administrative Guidelines

2.7 One of the key findings of the audit was that the Commission had not issued clear, comprehensive and up-to-date guidelines for the program and its administration. Further, the Audit Office found that the guidelines which existed were not in a suitable format for use by Planning and Finance Committee members and Schools Commission staff.

2.8 At the time of the audit, the Commission had issued several documents relating to the administration of the program. These were:

- 1981 Guidelines for the Capital Grants Program for Non-Government Schools (and amendments);
- several memoranda on program priorities and work procedures; and

1. Department of Employment, Education and Training, Administrative arrangements for block grant authorities: capital grants to program general element for non-government schools, September 1987, p. 3.
2. Minutes of Evidence, op cit, p. 178
3. Department of Education Submission, April 1987, paragraph 2.23.
4. Minutes of Evidence, op cit, pp.179-183

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annual program guidelines.

2.9 A handbook for PFCs had been partially drafted but had not been completed. The Commission indicated that this failure to complete the handbook was due to a shortage of staff. As the PFCs will be phased out with the introduction of block grant arrangements, this handbook will no longer be needed, and therefore will not be completed.

2.10 At the time of this inquiry, the list of documents had been extended to include in addition to the above:

- the Capital Assistance to Schools Program Administration (CASPA) manual; and
- specific procedure manuals for the Disabled Students and Torres Strait Islander program elements.

2.11 The Schools Commission indicated that it had made a 'conscious effort to avoid the imposition of too prescriptive administrative guidelines which may achieve rigid conformity across Australia but which cannot provide sufficient flexibility to allow for local conditions to be taken appropriately into account'.⁵ The Commission did not accept that variation and lack of consistency necessarily result in less efficient and less effective administrative performance.⁶

2.12 The Department acknowledged the need to clarify the essential legislative, administrative and policy matters. Operational issues are now covered in detail in the Capital Grants Program procedures manual, known as the CASPA manual. This manual was prepared to accompany the introduction of the improved computing facilities for the program.

2.13 Annual program guidelines are now issued earlier in the year. The 1987 guidelines were issued in January whereas the 1985 guidelines had been issued in March. Specific procedure manuals also have been introduced for the Disabled Students and Aboriginal and Torres Strait Islander program elements.⁷

2.14 The manuals which will provide guidance for the general capital element are still in draft form. Staff currently have to refer to the somewhat outdated 1981 publication and separate memoranda for policy guidance. There is no consolidated policy document. This is inefficient and increases the risk of incorrect decisions.

2.15 The Committee agreed with the Audit Office's general finding that guidelines for the Capital Grants Program previously were inadequate. But it notes that the Department of Education has broadly accepted the audit findings and has been moving to improve the guidelines.

5. Commonwealth Schools Commission Submission, Attachment B, April 1987, sub-paragraph 3(iii).
6. Ibid, paragraph 10.
7. Department of Education Submission, op cit, paragraphs 2.2 - 2.5

11

2.16 The Committee acknowledges that there is a tension between the need to provide sufficiently detailed guidelines and the legitimate demand for sufficient flexibility to enable local differences to be taken into account. Audit reported a paucity of guidelines for this program but the view was put to the Committee by a number of people involved in the non-government education sector that the existing guidelines were too prescriptive.^{8, 9}

2.17 The Committee is aware that the Department must make a careful judgement about the balance between too much prescription and too little guidance. When major changes are introduced to a program, such as changes in objectives or mode of delivery, the Department should review this balance.

2.18 The Committee considers that the guidelines should be:

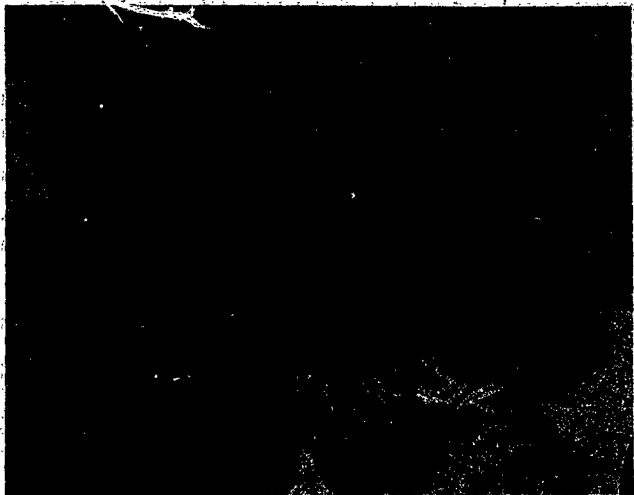
- comprehensive - guidelines should cover all matters typically encountered in the administration of the program as well as likely exceptional situations;
- concise - repetitious or unduly lengthy guidelines would be likely to confuse the reader;
- internally consistent;
- clear and unambiguous - guidelines should be written in plain English;
- logically organised; and
- up-to-date - staff need to be able to have confidence that guidelines are current.

2.19 The Committee recommends that:

- 3 the Department of Employment, Education and Training complete its development of a comprehensive and integrated set of manuals (and other appropriate documents) which together provide policy guidance and information about administrative procedures;
- 4 the Department of Employment, Education and Training develop and maintain mechanisms to ensure that policy and procedure documents are kept up-to-date; and
- 5 the Department of Employment, Education and Training train staff in the use of the manuals.

8. Minutes of Evidence, op cit, p. 311.

9. National Catholic Education Commission Submission, May 1987
p. 3.



Mr J Eaves (Deputy Principal), Mr A Morgan (Seconded to PAC),
Father T Crowley (Parish Priest), Mr R Price, MP,
Mr P Ruddock, MP, Senator J Watson, and Mr M Talberg (Secretary,
PAC) inspecting a music room in the new facility at the Patrician
Brothers High School, Blacktown (May 1987).

Definition and Measurement of Educational and Financial Need

2.20 The audit found that the processes and documentation relating to the definition and measurement of educational and financial need are inadequate.

2.21 In the case of educational need, each Planning and Finance Committee decided its own assessment principles, work procedures and records, and these generally changed from one funding round to the next. Assessment criteria were not expressly stated and did not reflect the Government's stated funding priorities.¹⁰ The Commission had not determined standard arrangements and documentation for the assessment of financial need of applicant schools. Each State office and Planning and Finance Committee therefore adopted its own approach to financial assessment.¹¹

2.22 The Schools Commission stated that differences in the measurement of financial need resulted from the requirement to accommodate the varying arrangements for school funding (eg single independent schools, large systems).¹²

2.23 The Department indicated that it was interested in exploring a formula-based approach to financial assessment and that a preliminary model had been developed. This model has not yet been refined.¹³ The Committee realises that assessment of financial need is a difficult issue given the variety of funding arrangements for schools. Despite this, it considers that the Department should continue to work towards a standard method for block grant authorities to assess financial need.

2.24 The Committee is pleased to note the Department's recent further clarification of the concepts of educational and financial need as well as their effect on a school's eligibility for a grant. In particular, the Committee supports the inclusion of:

- some guidance on the relative priority to be given to schools which fall well short of the Commonwealth area standard as opposed to those which only marginally miss the standard;¹⁴
- a precise statement of a school's total area entitlement;
- a definition of financial need;

10. Efficiency Audit Report, paragraph 3.3.5

11. Ibid, paragraph 3.3.6

12. Schools Commission Submission, Appendix B, op cit, paragraph 34.

13. Department of Education Submission, op cit, paragraph 2.46.

14. The Commonwealth area standard is a measure of the maximum permissible area for Commonwealth funded projects in non-government schools.

a requirement on block grant authorities to seek supporting information and documentation from applicant schools as to their incapacity to make available additional funds from their own resources; and

a statement of the relationship between a school's maximum contribution to capital costs and its maintenance of private effort for recurrent grant purposes.¹⁵

2.25 During the public hearings and during the Committee's site visits, representatives of the non-government education sector raised concerns about the different area standards adopted by the Commonwealth and the States and Territories.¹⁶ A number of State and Territory Governments operate interest subsidy schemes for loans which have been taken out to contribute to the cost of school buildings. These differing standards add unnecessarily to the complexity of developing a school building proposal.

2.26 The Committee also found during public hearings that although the measurement of financial, educational and socio-economic need could have a direct impact on how and where new schools were developed and that conversely, the New Schools Policy could affect the allocation of capital grants, there appeared to be no clearly defined link between the two policies.¹⁷ The Committee believes the Department should make clear the influence each of the policies may have on the other.

2.27 The Committee recommends that:

6. the Department of Employment, Education and Training continue the development of a standard method for block grant authorities to assess the financial need of applicant schools; and
7. the Department of Employment, Education and Training seek discussions with State and Territory educational authorities and representatives of non-government schools to determine whether the varying area standards of the Commonwealth and States can be rationalised.

Socio-economic Disadvantage

2.28 The Committee found that the Department's guidelines in relation to the determination of socio-economic disadvantage and its effect on grant eligibility are still inadequate.

15. Administrative arrangements for block grant authorities: capital grants program general element for non-government schools, op cit, pp. 20-23.

16. Minutes of Evidence, op cit, p. 303.

17. Ibid, pp. 328-342.

2.29 The Committee acknowledges that since the audit was conducted the Department has taken significant steps in addressing this issue. In particular, the Department has now provided a series of factors to be taken into account in determining socio-economic status.¹⁸ It has left the weighting to be given to these various factors to the block grant authorities to decide. The Committee acknowledges that this is an intrinsically complex issue but, given that it is central to the Government's policy, it is essential that the Department develop a defensible means of determining the socio-economic status of a school and its community.

2.30 The effect of a particular level of socio-economic disadvantage on a school's eligibility for a grant is also unclear. During the public hearings the Department appeared to be uncertain as to whether having a low socio-economic status is an absolute requirement for a grant or whether preference is given to schools with low socio-economic status.¹⁹ Similarly, it is not clear whether a school with a very low socio-economic status will automatically take priority over another school which has a slightly higher (but still less than average) status. The current guidelines also are ambiguous on this point.

2.31 Whilst giving evidence before the Committee, the Department indicated that its treatment of applications from various schools would depend in part on the schools' categories based on their Educational Resource Index ratings.²⁰ The Department did not accept that the ERI rating category would form a satisfactory basis for determining socio-economic disadvantage, as it affects capital grants.²¹ The Committee believes this may lead to problems in rating the socio-economic disadvantage of some schools, for example, where a school's student population is drawn from a wide cross-section of the population.

2.32 The Committee considers that the adoption of the category based on the ERI rating, in its present or modified form, may well simplify the grant process and provide a defensible means of determining which schools will or will not be eligible for a grant.

2.33 The Committee recommends that:

- 8 the Department of Employment, Education and Training clarify in its guidelines the effect that socio-economic status has on a school's eligibility for a grant; and

18. Administrative arrangements for block grant authorities: capital grants program general element for non-government schools, op cit., pp. 23-24.

19. Compare the Department's responses at p. 371 with those at pp. 377 and 378 of the Minutes of Evidence.

20. Minutes of Evidence, op cit., p. 374.

21. Ibid, pp. 375-376.

- 9 the Department of Employment, Education and Training consider adopting the Educational Resource Index ratings as a measure of socio-economic disadvantage (in their present or modified form) for the purposes of determining capital grant eligibility or that it develop a more precise method for determining socio-economic status.

Eligibility and Priority for Grants

2.34 In addition to the specific comments above, the Committee remains unclear as to the relative importance of socio-economic disadvantage, financial need and educational need in determining eligibility and priority for a grant.

2.35 For instance, consider two hypothetical schools which are assessed to have students at equal (and low) socio-economic status. School 'A' is 40% below the Commonwealth area standard and School 'B' is 30% below the standard; that is, school 'A' has a higher educational need. School 'A' though, might have a smaller financial need than School 'B'. Which school should have priority for a grant? If School 'A' was slightly lower or higher in socio-economic status than School 'B', would this change the answer?

2.36 The Committee would not expect there to be a precise mathematical formula to resolve this matter but it would expect the guidelines for the program to indicate general principles to be applied by block grant authorities. Reference in the guidelines to block grant authorities using local knowledge to resolve these dilemmas begs this important question.

2.37 The Committee recommends that:

- 10 the Department of Employment, Education and Training clarify the relative importance of socio-economic status, financial need and educational need in determining eligibility and priority for capital grants.

Commonwealth Financial Interest in Approved Projects

2.38 Section 26 (2) (c) of the States Grants (Schools Assistance) Act 1984 creates a Commonwealth interest, usually for a period of 20 years, in any asset valued in excess of \$30 000 which is purchased with grant monies. This section requires that school authorities receiving grants agree to be bound by the condition that the school can be required to repay the Commonwealth an asset's depreciated value if the school ceases to use that asset for an approved purpose or sells it.

2.39 The audit found that a substantial number of schools failed to observe grant conditions which required schools to consult with the Schools Commission prior to disposing of Commonwealth funded assets. The Commission did not have comprehensive and consistent administrative principles and operating procedures relating to recovery action where schools disposed of assets without Commission approval. In addition, Audit noted that there was doubt about the Commonwealth's capacity to take legal action to recover these monies, due to possible defects in the legislation, in the wording of the agreements entered into by school authorities and in the conditions attached to grant offers.²²

2.40 The Schools Commission responded by drawing attention to the fact that many grants are for small amounts and that the Commonwealth usually is a minor partner in the asset holding.²³ The Committee considers the Commission's attitude to be irresponsible. It ignores an unequivocal legislative requirement as well as the fact that considerable amounts of public money may be involved.

2.41 In evidence before the Committee, the Department was unable to identify the number of defaulting schools nor the amount of money involved.²⁴ The Department knew of no instance in which money had been received or written off.²⁵

2.42 The CASPA system now provides the Department with the technical capacity to identify schools which have received grants and have closed subsequently. The Department has instructed its State Directors to follow up on all closures during the last three years. The Department intends taking no action on closures prior to this, with its existing level of resources.²⁶

2.43 During the hearings the Committee raised the issue of possible deficiencies in the Act. The Department stated that the Act had been amended so that schools now must agree to be bound by certain conditions before accepting a grant. It suggested that this would assist with recovery action.

2.44 Subsequent advice to the Committee indicated that with the introduction of block grant arrangements in 1988, member schools are required to provide such securities to the Block Grant Authorities as the Minister may require for the protection of the Commonwealth's interest. From the limited information available to the Committee, it remains to be convinced that new arrangements will be sufficient.²⁷

22. Efficiency Audit Report, op cit, paragraphs 5.2.1 and 5.2.5.

23. Schools Commission Submission, Attachment B, op cit, paragraph 52.

24. Minutes of Evidence, op cit, p. 204.

25. Ibid, p. 207.

26. Ibid.

27. Department of Employment, Education and Training, Supplementary Submission to the Committee, 20 November 1987, JCPA file 1987/2/B6.

2.45 The Committee recommends that:

- 11 the Department of Employment, Education and Training seek legal advice as to its current capacity to enforce recovery action;
- 12 the Department of Employment, Education and Training publish comprehensive guidelines which address the protection of the Commonwealth's financial interest, particularly in situations where schools close or where assets cease to be used principally for an approved purpose;
- 13 the Department of Employment, Education and Training provide a report to the Committee when its investigations into closures during the last three years are completed;
- 14 the Department of Employment, Education and Training ensure that schools receiving grants are aware of their obligations in relation to the Commonwealth's financial interest; and
- 15 the Department of Employment, Education and Training provide statistical information in relation to section 26(2)(c) of the States Grants (Schools Assistance) Act 1984 in its annual report.

Processing of Applications

2.46 There were a number of relatively discrete aspects of the administrative arrangements relating to the processing of applications which were commented upon by Audit. They were:

that the practice of forwarding only positive funding recommendations to Employment, Education and Training was inappropriate as it usurped the Minister's decision making function;²⁸

that schedules which were sent to States approving grant payments to schools did not stipulate the specific projects for which the grants were made;²⁹ and

that closing dates for various funding rounds were different from State to State and that they were not adhered to.³⁰

28. Efficiency Audit Report, op cit, p. 9.

29. Ibid, p. 25.

30. Ibid, p. 13.

2.47 The Department advised that, following the audit findings and a further internal review, negative recommendations made by the Planning and Finance Committees were now sent to Employment, Education and Training.³¹ A description of the project and its estimated cost are included in schedules sent from the State Offices. The Department indicated that sufficient information to identify the specific proposals approved for funding is now provided to States.³² The recommendation that the Department set national closing dates for funding rounds, and that these be generally observed, will not be implemented for the general capital element until the introduction of block grant arrangements.³³

2.48 The Committee notes the improvements which have been made and accepts the Department's approach to the introduction of national closing dates for funding rounds.

2.49 The Committee recommends that:

- 16 the reasons for the block grant authorities not recommending projects for approval should be listed in the schedules sent to the Department of Employment, Education and Training's central office.

Management Information and Automatic Data Processing

2.50 The audit found that the program's information base was inadequate. It suggested that the Schools Commission lacked information to support overall assessment of the building needs of established schools and planning for the provision of new school places. There were deficiencies in the design, collection and analysis of statistical information. In addition, the Commission did not make good use of existing information.³⁴

2.51 The Schools Commission responded that Audit had ignored the implications of the fact that constitutional responsibility for education lies with the State Governments. In particular, it indicated that:

- the Commonwealth did not accept responsibility for deficiencies in school buildings across the nation, but rather, it supported particular educational initiatives - its information base requirements should reflect this limited role; and
- State Governments frequently chose not to share information about educational facilities or plans with the Schools Commission.³⁵

31. Minutes of Evidence, op cit, p. 209.

32. Ibid.

33. Ibid, p. 210.

34. Ibid, p. 28.

35. Schools Commission Submission, Attachment B, paragraphs 53 and 54.

2.52 The Department of Education echoed the Commission's views as expressed above. In addition though, it noted that the ADP system known as CASPA had now been introduced to assist with the processing of capital grant applications. Relevant statistical reports could be produced on an "as required" basis and so the statistical series referred to in the audit report had been discontinued.³⁶

2.53 The Committee is pleased to note the improvements to the database and automatic data processing capacity brought about by the introduction of the CASPA system. The Committee is aware that there may be reluctance on the part of some States to share information with the Commonwealth. Despite this, the Committee is still not satisfied that the Department has an adequate approach to its management information needs.

2.54 The Committee considers that the Department should develop a complete description of its information needs for the program. This description should take account of not only the information requirements for the processing of applications but also the need to provide information for the assessment of the program's performance against its objectives. The Department should identify the most appropriate source of each type of information and its preferred method for collecting and storing this data. The Department should actively seek to obtain the information it requires, including information from State Governments and individual non-government schools, rather than presume that it will not be available.

2.55 The Committee is conscious of the intrusive nature of information gathering and believes that if the Department uses a systematic approach to its information gathering requirements, it will ensure not only that it gets the information required, but also that it does not get any more information than it needs. The Committee also believes that information sources may be more prepared to provide information if they know why it is needed.

2.56 The Committee recommends that:

- 17 the Department of Employment, Education and Training develop and implement a comprehensive and integrated information strategy for the capital grants program; and
- 18 the Department of Employment, Education and Training explain its information needs to prospective sources and settle the type of information to be collected and methods of collection on a consultative basis.

36. Department of Education Submission, op cit, paragraphs 2.79 to 2.85.

Internal Review Activity

2.57 The capital grants program has been the subject of significant review activity, in addition to the efficiency audit, since June 1984. These reviews included:

- an internal audit involving field work in all States (September 1986 to December 1986);
- an examination by a three person working party consisting of Employment, Education and Training and State-based staff, aimed at identifying methods of reducing the time taken to process grant applications (December 1985 to April 1986);
- a Public Service Board Program Management Review which led to the decision to transfer administration of the program from the Schools Commission to the Department of Education (July 1985); and
- a review to evaluate the effectiveness of the program and to present options for future development of the program (June 1984 to March 1985).

2.58 The audit found that the Commission should have carried out limited evaluation studies into a number of aspects of program administration including, inter alia:

- factors contributing to substantial variations between States in the success rates of schools applying for capital grants as well as the average size of grants and the proportion of the estimated cost of projects funded by grant monies; and
- particular program elements where problems had come to notice.³⁷

2.59 The Department had not investigated the different success rates of applications from State to State. It also had not looked into the disparity in the proportion of total building costs met from Commonwealth grants in different states.³⁸

2.60 The Committee recommends that:

- 19 The Department of Employment, Education and Training seek to establish the reasons for differential success rates of grant applications and Commonwealth contributions to total building costs between States; and

37. Efficiency Audit Report, op cit, paragraph 6.2.2.

38. Minutes of Evidence, op cit, p. 217.

20 the Department of Employment, Education and Training continue to monitor the success rates of grant applications and the proportion of the Commonwealth contribution to final building costs from State to State.

Forms and Information Sought from Schools

2.61 Audit made recommendations about improvements to or the introduction of a number of forms, namely:

- application forms;
- standard forms for summarising the financial situation of schools;
- building consultant report forms; and
- project profile forms.³⁹

2.62 The Department of Education reported that it had adopted Audit's recommendations in relation to these forms.⁴⁰

2.63 The Committee raised with the Department the question of whether all information collected as part of the capital grants application process was necessary and whether any of this information was already available elsewhere in the Department. The Department acknowledged that some information collected on the application form is already available to it through the annual census conducted as part of the Recurrent Grants Program. The Department expressed concerns about relying on a single source of information to support capital applications. It also noted that there may be difficulties in matching census information from schools in the recurrent grants program because schools do not have a unique identification number.⁴¹

2.64 During the site visits it was suggested to the Committee that, after the application form is lodged, the State Office of the Department may collect far more information from schools than is really required. It was thought that this could be to anticipate questions which may be asked at the Employment, Education and Training level. Also additional information is often sought a little at a time, rather than all necessary information being collected simultaneously.

2.65 The Committee recognises the need for the Department to verify critical information. It also recognises that, on occasions, it will be necessary to obtain additional information to that provided in the application. However, the Committee is

39. Efficiency Audit Report, op cit, paragraphs 3.1.8, 3.3.11, 3.4.5 and 3.5.10.

40. Minutes of Evidence, op cit, pp. 61, 64, 67 and 68.

41. Ibid, p. 218.

not satisfied that the Department has done all that it could to streamline the collection of information. This will remain an issue in terms of both the information flows required from the block grant authorities and the information sought from schools in the national pool.

2.66 The Committee recommends that:

21 the Department of Employment, Education and Training review its procedures, forms and practices, including its method of identifying schools, to ensure that:

- application forms for capital grants for schools in the national pool require only essential information to be provided;
- information already in the Department's possession be used in assessing capital grant applications when this is consistent with sound administrative practice;
- the Department seeks information from schools and block grant authorities in a systematic manner; and

22 the Department of Employment, Education and Training explain its information needs to schools and settle the type of information to be collected and method of collection on a consultative basis.

CHAPTER 3

THE INTRODUCTION OF BLOCK GRANTS

- . Overview
- . Preparation for the Implementation of the Block Grants Scheme
- . Distribution of Funds between Block Grant Authorities
- . The Department's Continuing Role

Overview

3.1 In February 1987 the Government announced its intention to introduce block grant arrangements for the payment of capital grants to non-government schools from the beginning of 1988. The objectives of this change were:

- . to reduce the amount of time taken to process grant applications; and
- . to move decision-making about capital grants closer to the schools themselves.

3.2 The Department expects there eventually to be two block grant authorities in each State, one serving Catholic schools and the other assisting independent schools. Grant monies will be paid to schools via these block grant authorities, each of which will have a legal status. It will be their responsibility to assess applications from schools affiliated with their block and to make recommendations to the Department on the allocation of funds. The authority must place on public record details of the procedures that it will use to process applications for funding. These authorities will be expected to administer the scheme from their own resources with supplementation from the Commonwealth of up to a value of 2 per cent of total grants to the block or \$35 000, whichever is greater.

3.3 Funds will be advanced to the block grant authorities in eleven equal instalments and the authorities will be required to submit quarterly returns. The Minister or his delegate will approve schedules of grant proposals put forward by the block authorities. Grant funds will be allocated between States on a per capita basis. Allocation of funds between blocks within a State will be:

- . 40 per cent per capita; and
- . 60 per cent needs based (using the Educational Resource Index)

Allocation to the national pool will be on a similar basis.

3.4 Individual schools will have the option of either affiliating with a block grant authority in their State or of forming a part of a national pool of schools. Applications from schools in the latter group will be considered by the Department's central office assisted by an expert advisory committee.

TABLE 3.1
PROPOSED TIMETABLE FOR THE IMPLEMENTATION
OF THE BLOCK GRANTS SCHEME

6 March 1987	-	Registration of interest with the Commonwealth Department of Education (Canberra) by agencies proposing to seek approval as block authorities.
20 March 1987	-	Distribution to those who have registered interest of preliminary draft administration guidelines (including draft detailed administrative arrangements for block grant authorities and draft arrangements for schools not participating in the block funding arrangements).
30 April 1987	-	Distribution of final draft administrative guidelines for block authorities.
15 May 1987	-	Applications from authorities who wish to become approved block grant authorities - applications to include a list of the schools wishing to become members.
	-	Final notification by schools electing not to join a block authority.
end May 1987	-	Announcement of the authorities and members likely to be approved as eligible to participate in the block grant arrangements and requirements for block grant submissions.
end June 1987	-	Announcement of detailed administrative procedures for schools not participating in block grant arrangements.
mid July 1987	-	Confirmation of block authority approval, subject to execution of agreements.
30 September 1987	-	Submissions from approved block grant authorities seeking approval of schedules of proposed projects for 1988, and forward commitments to projects in 1989 and 1990.
	-	Applications for grants from national pool schools (to the Department's State offices).

source: outline of block capital grant arrangements for non-government schools¹

Preparation for the Implementation of the Block Grants Scheme

3.5 In February 1987, the Department issued a proposed timetable for the introduction of the block grants scheme. This is shown at table 3.1.

3.6 By the end of April 1987, there had been a small amount of slippage in the information of the above timetable, although the Committee does not consider that this would have significantly affected the target date for the new arrangements.² Due to the calling of a Federal election in July 1987, the legislation to make formal provision for the block grants scheme was not brought before Parliament until October 1987. The Department made interim arrangements with the potential block grant authorities pending the passage of the legislation, in order to have the scheme operating by 1988.

3.7 As at November 1987, the Catholic schools in all States and in the Northern Territory are likely to form block grant authorities. Independent schools will probably form block grant authorities in all States except Victoria but will not form an authority in the Northern Territory. In the Australian Capital Territory, the Catholic and independent schools are likely to form a single block grant authority.

3.8 The existing non-government organisations have already begun to seek applications and to forward recommendations to the Minister. This is seen to be a useful trial run prior to the formal implementation of the block grants system following the passage of the necessary legislation.

3.9 Both the National Council of Independent Schools (NCIS) and the National Catholic Education Commission (NCEC) acknowledged that the Department has had significant consultations with them in the course of the preparation of the scheme.^{3, 4} There is also evidence that the Department is responding positively to the issues raised by the non-government education sector. For example, both the NCEC and the NCIS have expressed the view that the previous notion of a universal Commonwealth area standard up to which schools should be brought, has produced undesirable consequences.^{5, 6} In particular, it has meant that some schools are brought up to the full standard while others receive little or no assistance. The Department has now amended the guidelines to make provision for schools to be brought up initially to 80% of the standard in some instances, rather than immediately to the full standard.⁷

2. Minutes of Evidence, op cit, p.222.

3. Ibid, op cit, p.359.

4. National Catholic Education Commission Submission, op cit, pp. 2 and 4

5. Ibid, p.6

6. Minutes of Evidence, op cit, p.306

7. Administrative Arrangements for Block Grant Authorities: general capital element for non-government schools, op cit., p. 20.

1. JCPA File 1987/2/B3.

3.10 The Committee is pleased to note the Department's responsiveness to the problems raised by the non-government education sector in the context of the implementation of the block grant arrangements.

Distribution of Funds between Block Grant Authorities

3.11 The issue of the allocation of funds between blocks within States was examined by the Committee. As indicated above, 40% of the funds will be distributed on a per capita basis and 60% on a needs basis using the Educational Resource Index. The Committee considers that this basis of distribution could produce anomalies.

3.13 For instance, if a block grant authority had a significantly larger proportion of high socio-economic status schools than did another block grant authority in the same State, individual schools in the former block grant authority with an equal socio-economic status to those in the latter block grant authority could have a significantly greater chance of receiving a capital grant. This appears to be at odds with the Government's policy. Given the uncertainty about whether low socio-economic status is an absolute necessity or merely a matter of priority, the potential for inequitable outcomes is further exacerbated.

3.14 The Committee recommends that:

- 23 the Department of Employment, Education and Training examine the funding outcomes for schools of equal socio-economic status affiliated with different block grant authorities to ensure that anomalies do not result from the current funding formula.

The Department's Continuing Role

3.15 The Committee raised with the Department the question of its future role following the full implementation of the block grant arrangements.

3.16 The Department indicated that it expected block grant authorities to have a great deal of autonomy.⁸ There was strong support from the non-government education sector for genuine devolution but there was also some concern that recommendations might be reworked or second guessed when they arrived at the Department's central office.⁹ The Committee is concerned that in several areas the Department's expectations may not be sufficiently clear to prospective block grant authorities. In particular, the Committee notes the Department's intention to review the performance of the authorities in respect of their assessment of socio-economic disadvantage, educational need and financial need. Because of the vagueness of the current guidelines in these areas as discussed earlier in this report, the Committee considers that the block grant authorities may have difficulty in knowing and meeting the Department's expectations.

3.17

The Committee recommends that:

- 24 the Department of Employment, Education and Training ensure that all block grant authorities understand its expectations of them, particularly in terms of the documentation required to support their recommendations for grants; and
- 25 the Department of Employment, Education and Training direct staff savings resulting from these changes to improvements in the quality of guidelines and other documentation relating to the program as well as to the systematic monitoring of the program's effectiveness.

8. Minutes of Evidence, op cit, p. 193.

9. Ibid, p. 313.

CHAPTER 4

THE COMMONWEALTH SCHOOLS COMMISSION'S HANDLING OF A
GRANT TO A SCHOOL IN NEW SOUTH WALES

- . Audit Findings
- . Responses of the Commonwealth Schools
Commission and Former Chairman
- . Committee Findings

Audit Findings

4.1 Audit reported unfavourably on the Commonwealth Schools Commission's handling of a capital grant application from All Hallows School in New South Wales in 1984. The background to this grant, as reported by Audit, is set out in Appendix D.

4.2 Audit found that the approval of the grant was deficient in the following areas:

- . contrary to accepted practice, the application was not subject to final Planning and Finance Committee assessment of the educational need of the school;
- . the PFC was not involved in the scrutiny of costs and plans for the project proposal and made no recommendation for project funding;
- . the reasons why the Schools Commission Chairman intervened in the processing of the application and requested the PFC to consider immediately a grant of up to \$400 000 for new facilities were not adequately documented at the time of the decision;
- . the cost-effectiveness of the refurbishment and replacement options, in terms of the provision of suitable facilities at minimum cost, was not determined conclusively by the Schools Commission;
- . a proper assessment of the financial capacity of the school to contribute to the project was not made by the Schools Commission prior to the initial offer of a grant to the school in October 1984; and

the school's proposal to appoint the project management firm for construction of the building was approved by the Chairman, knowing that this was contrary to Schools Commission guidelines. These guidelines required schools normally to call public tenders or to advertise publicly where approval was given to depart from this, so that the selection process would be subject to competition. No compelling reasons were advanced for the appointment of the particular firm and insufficient negative weight appeared to be given to the family connection between a partner in the firm and the main proponent for the project in assessing the merits of the proposal to appoint the firm.¹

Responses of the Commonwealth Schools Commission and Former Chairman

4.3 The Schools Commission did not accept Audit's findings. It indicated that the 'PFC and the school authorities could not resolve their differences even with the assistance of various consultants'.² It stated that there had been detailed investigations including site visits by senior officers prior to the approval.

4.4 The Commission indicated that the then Chairman, Dr P Tannock, agreed to the approval of a grant taking into account:

- the previous voluntary contributions by the school community;
- reports from senior officers; and
- the ability of the school to service an additional debt.³

4.5 The Commission stated that the decision to agree to a project management approach was based on the following considerations:

- the school could be financially disadvantaged if costs escalated during the normal tendering period;
- the firm selected had satisfactorily completed stage 1 and had produced design drawings. Other firms would have been unlikely to wish to use these drawings and this would have added further to the cost; and

there would be an educational disadvantage to the school arising from further delays.⁴

4.6 Dr Tannock advised the Committee that the primary reason for approving the grant for a new building, rather than refurbishing the existing Church building, was that it would produce a better educational result.⁵ This was the argument put to him in a memorandum dated 17 September 1984 by a senior officer, Mr I Hossack, following his visit to the school. Dr Tannock considered that the PFC had made an error of educational judgement in recommending refurbishment.

4.7 With regard to the question of the appointment of the project management firm, Dr Tannock indicated that at the time of approving the grant he had anticipated that the project would go to tender. It was some time later that he approved the project management approach based on the issue of cost savings and the potential educational problems that would have been caused by further delay.

4.8 Dr Tannock conceded that, with hindsight, it may have been preferable to go to tender and to set aside the 'special and immediate concerns' of the school.⁶

Committee Findings

4.9 The Committee broadly supported Audit's conclusions. It found that the Commission had failed to adhere to accepted procedures for the expenditure of public money in its approval of the grant and in the agreement to appoint the project management firm. In the Committee's view, the reasons given by the Commission and its former Chairman for this action are not sufficient to justify the deviation from established practice.

4.10 There was no dispute that some improvement to the facilities at All Hallows School was required. The PFC contented that a refurbishment would be sufficient based on the advice of the Department of Housing and Construction that the old building was structurally sound. This advice was later corroborated by an independent consultant. The school's argument that the building was not structurally sound was based on the advice of the builder who completed stage one of the school's improvements and who, at face value, could have had an interest in the outcome of the assessment.

1. Efficiency Audit Report, op cit, p. 49.
2. Minutes of Evidence, op cit, pp.150-151.
3. Ibid, p.151.

4. Ibid.
5. Tannock P., Submission to Inquiry, JCPA file 1987/2/A2.
6. Ibid.

4.11 Mr Hossack who visited the school and acknowledged that the refurbishment option would be satisfactory, wrote that 'it would be possible to refurbish the existing church building and to finish up with a workable school'.⁷ This officer argued that a new school building would be preferable from an educational and aesthetic point of view and said that the refurbishment would be a 'make shift solution'.⁸ This is the advice which was accepted by the Commission Chairman. Given the amount of public money involved, the Committee would have expected a thorough written case to have been prepared prior to the decision being made, explaining precisely how the more expensive option would be educationally superior. This was not done.

4.12 In approving the grant in this manner, the Chairman by-passed the usual requirement that a judgement be made about the school's needs in comparison to the educational and financial needs of other schools. Further, the question of the school's previous contribution should only have been taken into account if this was an issue in the relevant guidelines.

4.13 The Committee considers that the degree of departure from normal procedures in approving the grant was not justified by the circumstances in this case.

4.14 The Committee does not accept the Commission's reasons for by-passing the usual tendering procedures. The Commission had no evidence for its contention that costs would be higher if tenders were called except a view that the architect's fees were very competitive. The Commission's approach was all the more curious given the known interest of other firms in tendering for this work. The Committee is particularly concerned about the failure to call tenders because of the close connections between the school and the builder who was awarded the contract.

4.15 The Committee considers that the Commission, in seeking to resolve what it perceived as an impasse between the school and the relevant PFC, ignored a number of usual principles involved in the expenditure of public money.

CHAPTER 5

CONDUCT OF THE AUDIT

- . Timeliness of the Audit
- . Nature of Recommendations
- . Cost of the Audit

Timeliness of the Audit

5.1 Although work began on the audit in October 1984, the Auditor-General's final report was not tabled in Parliament until 24 September 1986. This duration is far greater than the Audit Office's own time standard for efficiency audits, which is to complete the process from preliminary study to tabling in Parliament in less than 12 months.¹

5.2 The delay in presenting the findings resulted in many aspects of the report being significantly out of date.

5.3 In the report, Audit attributes the delay in the report's completion solely to the failure of Schools Commission officers to reply fully to the interim findings presented in the preliminary audit paper.² Fairly major changes were required to the final draft because the Commission and the Department challenged statements which had not been challenged at the earlier audit paper stage. Audit argued that it was this which delayed the presentation of the report.³

5.4 Both the Schools Commission and the Department of Education took exception to Audit's reporting of this matter.^{4, 5} Commission officers had discussed the audit paper in a meeting with Audit staff on 6 September 1985. An annotated copy of the paper was subsequently provided to the Audit Office by the Department to assist the former to determine which issues should be included in the final report. The Department of Education had a firm understanding that the audit paper was an informal document and that the correct time to respond in detail was at the draft report stage.^{6, 7}

1. Australian Audit Office, Annual Report 1985-86, op cit, p.11.
2. Efficiency Audit Report, op cit, paragraph 1.5.4.
3. Minutes of Evidence, op cit, p. 4.
4. Ibid, p. 84.
5. Department of Education Submission, op cit, paragraph 1.5.
6. Minutes of Evidence, op cit, p.167
7. The view expressed by the Department at the hearing appears to be verified by the content of a letter from the Australian Audit Office to the Department dated 11.10.85 JCPA file 1987/2 Part B(3).

7. Hossack I, letter to Chairman, Commonwealth Schools Commission, JCPA File 1987/2/B3.

8. Ibid.

5.5 During the hearings, the Audit Office acknowledged that it was responsible for some of the delay in presenting the report. The branch head who was overseeing the audit had been on extended sick leave and retired on medical grounds in April 1986. An officer originally assigned to the audit was transferred interstate.⁸ However, Audit persisted with its argument that the auditee was primarily responsible for the delay.

5.6 The Committee found that the Audit Office was primarily responsible for the delay in completing the audit based on the evidence available to it. The audit paper was not available until August 1985, which is several months later than would have been required for the tabling of the report by October 1985.⁹ It took from 11 October 1985 to 13 March 1986 (5 months) to make supposedly minor modifications to the audit paper, based on what Audit asserts were limited comments from the Department of Education and the Schools Commission. The delay caused by the Department's probable misunderstanding of the status of the audit paper would amount to no more than a few months out of the one year that this report was delayed.

5.7 The Committee considers that planning for the audit should have included some allowance for staff movements and the possible absence of the officers involved. The requirement for Audit to continue to process financial statements was known from the outset and is not acceptable even as a partial justification for Audit's contribution to the delay. Further, the Committee believes that the Audit Office should take some responsibility for the Department's misunderstanding of the status of the audit paper. The details of the efficiency auditing process are unfamiliar to most managers in the Australian Public Service. Even those with a general knowledge of auditing may not be aware of the specific status of each document and the auditee's precise obligations in relation to it. This places an onus on the Audit Office to ensure that the procedures are well understood by auditees.

5.8 The Audit Office has a responsibility to report to Parliament objectively on its findings. It should not seek to conceal shortcomings in its own organisation by attributing blame to auditees. The Committee considers that actions of this type could seriously damage Audit's credibility and its relationship with auditees.

5.9 The Committee recommends that:

- 26 the Australian Audit Office's planning for efficiency audits should take account of the likelihood of some staff movement during the audit and of other demands on that Office's staffing resources;

27 where efficiency audits have not been tabled within twelve months of the beginning of preliminary data collection, the Australian Audit Office should provide a full and frank statement of reasons for the delay in the report of the audit; and

28 the Australian Audit Office should prepare a set of explanatory documents to assist auditees to fully comply with the demands of an efficiency audit.

Nature of Recommendations

5.10 The ultimate objectives of efficiency auditing include, inter alia, better value for money for Commonwealth expenditure and increased program effectiveness in the agencies audited. These objectives are achieved through improvements to administrative practice in departments and authorities in response to the Audit Office's findings and recommendations and the subsequent scrutiny by Parliament. To maximise the likelihood of its recommendations being implemented, and ensuring that these recommendations add to the achievement of the above objectives, Audit's recommendations should be sufficiently detailed, balanced and not involve unnecessary expense or resources.

5.11 Although the Committee acknowledges that it is not Audit's role to tell a department how to do its job, it does consider that recommendations should be sufficiently detailed to enable a department to understand the full intention of those recommendations. This is particularly important when Audit may have reason to suspect that the auditee does not fully appreciate the reasons for a recommendation. For instance, in this audit, the Audit Office recommended that the Department 'maintain an adequate information base, through surveys or other means, for the assessment of the needs of established schools for buildings and facilities'¹⁰ The Schools Commission advised the Audit Office that the Commonwealth does not have constitutional authority for education nor does it accept responsibility for deficiencies in school buildings across the nation. Rather, the Commonwealth supports particular educational initiatives. In these circumstances, it indicated that a comprehensive national database was not warranted.¹¹ The Committee supports this recommendation but considers that Audit could have been more explicit as to what it would consider to be 'adequate'. The scope of the recommended database, and hence its likely cost, may not be clear to the Department.

5.12 Audit findings and recommendations should be balanced. In particular, they should take account of both the external and internal environments impinging on programs and their administration.

8. Minutes of Evidence, op cit, pp. 10-11.

9. Ibid, p.13 (In evidence before the Committee, AAO acknowledged that the earliest the report could have been tabled was February 1986 given that the audit paper was not presented until August 1985. This implies a five month time overrun).

10. Efficiency Audit Report, op cit, paragraph 6.1.11.

11. Schools Commission Submission, attachment B, op cit, paragraph 53.

5.13 The Committee considers that the audit report failed to acknowledge the constraints of the environment within which the capital grants program operates. For instance, the report did not recognise the demands on the Schools Commission resulting from the existence and nature of the Planning and Finance Committees. These Committees placed a high value on their autonomy and professionalism and typically considered that local judgements about priorities were more appropriate than centralised decision making. Moreover, they relied for their legitimacy and effectiveness on the continued support of the major non-government education groups, a support which could not be taken for granted. This posed dilemmas for the Schools Commission about the degree of prescription which would be appropriate and acceptable for the PFCs' operation. The report gave no indication that such difficulties may have existed for the Schools Commission.

5.14 The Committee is not suggesting that poor administrative practices should be excused on the grounds of a complex environment nor that the Audit Office lose its objectivity in reporting its findings. Rather, it is arguing that an analysis of the demands of a particular administrative environment will aid the Audit Office's and Parliament's understanding of the context within which the program operates and will also increase the likelihood that recommendations will bring about greater efficiency and effectiveness.

5.15 The Committee recommends that:

- 29 the Australian Audit Office ensure that its recommendations are sufficiently detailed to enable auditees to be clear about their scope and intention; and
- 30 the Australian Audit Office include a statement of the administrative context within which the auditee is operating in its efficiency audit reports.

Cost of the Audit

5.16 This audit of the administration of capital grants to non-government schools cost approximately \$86 000.¹²

5.17 The Audit Office does not make an estimate of the likely cost of an audit in dollar terms prior to its commencement, although it does estimate the proposed number of hours of audit time and the likely cost of travel. The total cost is measured after the audit is complete so that Audit can fulfil its statutory obligation to report this figure in its annual report.¹³

5.18 The Committee considers that the Audit Office should estimate the likely cost of an audit prior to its commencement. This would provide Parliament and managers within the Audit Office with a sound basis for comparing the proposed and actual use of resources during an audit.

5.19 The Committee recommends that:

- 31 the Australian Audit Office prepare cost estimates (in dollars) of each audit prior to its commencement;
- 32 the Australian Audit Office monitor the cumulative cost of each audit;
- 33 the Australian Audit Office report both the estimated and final cost of each efficiency audit in the report of that audit; and
- 34 where the final cost of the audit is greater than the estimate, the reasons for this should be stated in the report.

12. Minutes of Evidence, op cit, p. 41.

13. Ibid, pp. 41-42.

AUSTRALIAN AUDIT OFFICE RECOMMENDATIONS
AND DEPARTMENT OF EDUCATION'S RESPONSES

Guidelines for processing capital grant applications.

Audit Recommendation 1

The Department should set out in an authoritative document:

- (a) the powers, legislative basis and functions of the Minister, the Department's Central and State Offices, PFCs and building consultants;
- (b) specific tasks to be performed by PFCs and State Offices in relation to the program;
- (c) ground rules for the operation of PFCs and their sub-committees.
- (d) the meaning, in a clear and explicit manner, of key terminology relating to the assessment of applications;
- (e) clear, comprehensive and detailed guidelines on assessing the financial capacity of applicant schools; and
- (f) operational guidance on standard systems, procedures and documentation for the initial processing and assessment of applications, their processing beyond PFC recommendation stage and the administration of approved projects.

Department's response*

The Department acknowledged the need to clarify to applicant schools, as well as to State and Central Office staff involved in administering the program, the essential legislative, administrative and policy issues.

Operational procedures are now covered in detail in the CASPA Manual, which provides guidance on the input, processing and report facilities of the CASPA system on which the Program's administration is based.

Administrative Guidelines issued in January 1987 and made available to all non-government schools now provide more detailed advice on the Capital Grants Program, including comments on the legislative basis, eligibility requirements and initial processing procedures.

In addition, the Department has released revised specific Procedure Manuals for the Aboriginal and Torres Strait Islander element and for the Disabled Students element. The draft of a similar manual is currently being finalised for the general element and should be ready for circulation by June 1987.

While the Department is committed to producing a single comprehensive document, its preparation has been held over pending the finalisation of arrangements for the operation of the block grant authorities. When it is produced, it will cover each of the issues raised by the Auditor-General.

Based on the Department of Education's submission to the inquiry (Minutes of Evidence, pp48-78)

*For reasons of space, a number of the Department's responses have been paraphrased or summarised.

Audit Recommendation 2

The Department should also:

- (a) arrange induction guidance for new PFC members;
- (b) revise its instructions as necessary and issue a handbook for PFCs; and
- (c) approve the preparation of local procedural instructions by State Offices to amplify national operational guidelines on standard systems, procedures and documentation.

Department's response

A draft handbook for PFCs is now available. However, with the Government's announced intention of introducing block capital grants as from 1988, the involvement of PFCs with the Capital Grants Program will cease as of the end of this year.

In the interim period, State Offices of the Department are providing new PFC members with the 1981 'Guidelines for the Commonwealth Capital Grants Program for Non-Government Schools', which gives an account of the functions of the Planning and Finance Committees and the expectations held for the input of PFC members. In addition, comprehensive oral induction briefings are given, and members' attention is drawn to other existing guidelines and manuals to aid PFCs and their sub-committees in the work of assessing the financial and educational needs of schools in relation to particular projects.

The Audit recommendation about the preparation of local procedural instructions by State Offices has been noted by the Department. A formal instruction has not yet been issued to the State Offices to prepare these instructions as it is considered that it was more important to address the issue of block grants. Consideration will be given to this matter in 1988 after the introduction of block grants.

Audit Recommendation 3

For the administration of new program elements the Department should:

- (a) make plans which allow for the lead times associated with the implementation of such initiatives; and
- (b) issue operational guidelines for observance by PFCs and State Offices as soon as practicable after relevant government decisions have been made.

Department's response

The Department developed comprehensive draft guidelines for use by State Offices and the Advisory Committee on the Disabled Students element to enable its smooth introduction.

The Department is currently preparing guidelines for use by Block Grant Authorities. All non-government schools as well as systemic school authorities and associations of independent schools were notified on 13 February 1987 of the proposed changes under block grant arrangements, outlining the various options open to schools. In the meantime, PFC Chairpersons were briefed in November 1986 on the possible impact on the Committees of a decision to proceed with block grant arrangements. A preliminary draft of detailed administrative arrangements was issued for comment on 31 March 1987. It will be finalised once enabling legislation for the creation of block authorities has been enacted.

Guidelines for schools not wishing to participate in block grant arrangements, as well as those for a new National Advisory Committee, which will effectively replace PFCs in assessing applications by these schools, are currently being developed. Drafts are being circulated and final documents should be available by 30 June 1987.

Advance planning by the Department in preparing detailed procedural documents to aid all parties concerned prior to the introduction of Block Capital Grants should ensure effective administrative arrangements for the implementation of the Block Grant Scheme in 1988.

Operations of Planning and Finance Committees and State Offices

Audit Recommendation 4

With a view to improving the operations of State Offices and PFCs, the Department should give consideration to:

- (a) investigating the case for increasing PFC membership in New South Wales, Victoria and Queensland, as part of a review of the workloads of PFCs;
- (b) appointing more persons resident outside State capital cities to PFCs;
- (c) reviewing whether the involvement of PFCs in certain matters of an administrative or quasi-appellate nature would be more appropriately handled by the Department or the Minister's delegate;
- (d) vesting PFCs with the responsibility for advising the Department and schools of their recommendations;
- (e) clarifying the planning and general advisory functions the PFCs are expected to perform in respect of the capital grants program;
- (f) reviewing the powers and operating arrangements of PFC Sub-committees; and
- (g) setting appropriate performance standards and monitoring systems performance, in terms of case workload, processing times and staff productivity.

Department's response

(a-f) With the introduction of block capital grants, PFC's will cease to be involved in the Program and no further appointments are expected. In developing the procedures and guidelines for block grant authorities and any associated committees, Audit recommendations directed to the working of PFC's will be implemented.

Committee servicing functions are now carried out by Departmental staff. The State Directors of both the Commonwealth Department of Education and the Commonwealth Schools Commission have been appointed by the Minister as ex-officio members of each PFC. With these increased numbers on the Committees, combined with a reduction in workload by taking new schools policy outside the sphere of responsibility of PFCs (as mentioned in 1.9(8)), increased efficiency was achieved.

(g) With the introduction of the CASPA system in late 1985, reporting facilities became progressively available to monitor performance in each State and on a national basis. The Department now regularly:

- monitors commitments by Act at various stages of processing applications;
- monitors project numbers and grants paid; and
- identifies projects delayed at any processing stage.

With the move by the Department to program budgeting from 1 July 1987, a preliminary set of performance indicators has been developed. The need for a specific staff performance monitoring system has so far not been given high priority due to the relatively small size of the Branch, which enables effective continuous evaluation on an informal basis.

Audit Recommendation 5

The Department should ensure that:

- (a) appointments of persons to PFCs are valid and timely; and
- (b) PFC minutes are received at Central Office in a timely manner and are subjected to appropriate scrutiny.

Department's response

(a) Appointments to PFCs are now controlled by the Appointments Unit of the Department's Parliamentary Liaison and Public Relations Branch which has the specific responsibility of ensuring that all Ministerial appointments are procedurally correct.

(b) Instructions were forwarded to State Offices of the Department in November 1985 that three copies of future PFC minutes be submitted as soon as practicable after each meeting. The minutes are scrutinised by the First Assistant Secretary Schools General Programs Division and the Assistant Secretaries of Capital Grants, General Recurrent Grants and Operations Branches, as well as by program staff.

Minutes are being received in accordance with these instructions.

Guidelines and information for schools

Audit Recommendation 6

To provide satisfactory guidelines and information for schools applying for capital grants, the Department should:

- (a) produce a separate publication on the administrative arrangements for processing applications;
- (b) increase its efforts to issue annual program guidelines earlier;
- (c) consider incorporating in the guidelines, Audit suggestions regarding the assessment of school finances, provision of particular facilities, and cost and area data;
- (d) review the relevance and currency of guidelines for library resource facilities and services, which had not been revised since 1979;
- (e) revise the capital grant application form by improving explanatory notes, providing more space for answers, incorporating standard requests for supporting documentation and identifying the funding category under which assistance is sought; and
- (f) produce separate forms for special funding categories.

Department's Response

(a) The 1986 Program Guidelines provided considerably more information than previous issues. Cost and area standards were given in the form of an appendix to assist schools in the development of applications. The 1987 Guidelines also contain detailed program information. In addition, a separate publication is in the final stages of preparation setting out further details of administrative procedures of the Program. It is expected to be finalised by June 1987.

Supplementary Guidelines were prepared in relation to the two national elements, i.e. the Aboriginal and Torres Strait Islander element and the Disabled Students element.

(b) It has not been possible to issue the annual Program Guidelines before the month of January in either 1986 or 1987.

In line with a similar situation in previous years, relevant legislation for 1987 was not passed by the Parliament until well into December 1986. It is also questionable whether schools would benefit from an earlier release of these Guidelines, as the end of year activities of most schools, combined with long summer vacations, result in an absence of appropriate staff in most schools until early February. The Department is, however, examining whether it is feasible to provide annual/periodic updates to a base document instead of issuing new guidelines annually.

(c) The administrative procedures document, referred to under (a), provides information about cost and area standards, as well as financial and educational needs assessment objectives. Likewise, the guidelines for the two national elements contain information on facilities, costs and areas.

(d) The Commonwealth Schools Commission in conjunction with the Department is currently proceeding with initial arrangements to examine the feasibility of reviewing the guidelines for library resource facilities and services, published in 1979 under the title "Books and Beyond".

(e) The revision of the application form for the general element at the time of introducing the CASPA system in late 1985 encompassed suggestions made by Audit.

(f) Separate forms were developed in 1986 for applications under the Aboriginal and Torres Strait Islander element and the Disabled Students Element.

Departments's response

(a, b) The closing dates for applications in relation to the Aboriginal and Torres Strait Islander (ATSI) element and the Disabled Students Element are 15 April and 31 October respectively. They are publicised in newspaper advertisements and are detailed in the guidelines for each element.

The Departmental Working Party formed in 1985 to review the Capital Grants Program recommended against the suggestion of an annual closing date for applications under the general element, as considerable State differences in residual forward commitment balances frequently exist, requiring multiple annual funding rounds in some States. However, with the proposed introduction of Block Capital Grants in 1988 steps have been taken to stipulate national closing dates for the general element in the same way as they apply to the ATSI and Disabled Students elements.

(c) The implementation of the CASPA system has led to an improved management information system in Central Office. This will be further refined when adapting CASPA to encompass the proposed block capital grants system.

Assessment of applications

Audit Recommendation 8

The Department should:

- (a) determine principles to be applied in deciding which schools applying for capital assistance should be included in school visit programs;
- (b) review existing work practices and issue revised, cost effective guidelines relating to the number and composition of official visitors to schools;
- (c) review existing locally-prepared school visit reports and approve the design of standard report forms for Australia-wide use;
- (d) review the adequacy of the various PFC arrangements for financial need assessment and implement the best elements, Australia-wide;
- (e) as far as practicable, assign financial analysis responsibility to State Office staff as administrative support to PFCs;
- (f) require schools to provide in support of their applications evidence of their incapacity to provide from their own resources funds additional to those declared and their inability to obtain them from lending institutions, supporting communities, parents or other sources; and
- (g) design and implement the use of standard forms for presenting summaries of the financial situation of applicant schools and for assessing their financial need.

Department's response

As a result of the Auditor-General's Report, the Departmental Working Party carried out a comprehensive review of operational aspects of the Program and in March 1986 made a number of recommendations in relation to observations made by Audit. At the 1986 State Directors conference, Directors were advised to implement these recommendations.

(a,b) It was recommended that school visit programs undertaken by PFCs be selective and generally limited to those applicants where:

- clarification of information relating to eligibility and priority criteria is necessary; and
- an inspection of the suitability and condition of facilities is required.

(c) It was recommended that a standardised visitors' report form be prepared by the Central Office of the Department for use by State Offices and PFCs. Such a form has been prepared.

(d) In relation to the Working Party recommendation that a formula-based approach to determining a school's capacity to contribute to a project be developed, taking into account general recurrent funding policies, a preliminary model was subsequently developed for this step, but has not yet been refined, owing to uncertainty about the extent to which assessment procedures to be adopted by Block Grant Authorities would be prescribed.

Initial processing of applications

Audit Recommendation 7

The Department should:

- (a) set national closing dates for funding rounds in respect of each program element having regard to the timing of government decisions, the publication of program guidelines, the availability of the latest data on school finances and enrolments, extended school holiday periods (during which PFC visits should not normally be arranged) and other relevant factors;
- (b) ensure that such closing dates are generally observed, except in special and exigent circumstances; and
- (c) clarify its requirements for process control and management information purposes and, as an interim measure, standardise record maintenance systems incorporating the best features of the various existing State Office procedures.

(e) Concerning the recommendation that financial need assessments be undertaken by State Office staff of the Department, with endorsement by PFCs, all except the NSW State Office have been able to implement this direction. In NSW, a Financial Planning Sub-Committee has provided this information due to the large number of applications received in that State. That system has worked well and the Sub-Committee asked to continue to provide its assessments. Given the limited remaining life-span of the PFC, it was not considered to be in the best interest of the Program to change the system at this late stage.

(f,g) Work is proceeding with the implementation of standardised financial analysis forms for use by all State Offices. Schools are already required to submit evidence of existing debt servicing loads and statements detailing their current income as well as expected future case flow data for examination and assessment by State Office staff and scrutiny in Central Office.

Department's response

(a-c) PFCs have been required to document their reasons for not visiting schools, and do so. With an extended Committee and decreased areas of responsibility, the workload of PFCs is now spread more evenly among members.

Audit Recommendation 9

PFCs should:

- (a) limit as far as practicable the scale of school visit programs, by excluding schools about which adequate information is already available or whose relative educational or financial need is considered low;
- (b) record in their minutes the reasons for decisions to visit or not visit particular schools;
- (c) allocate the workload associated with the schools visit program more evenly among their members;

(d) as far as practicable, and in order to facilitate consistent assessment of similar capital grant applications, consider application schools separately:

.. in classes of similar types of project proposals, and

.. according to program elements or project categories accorded target funding levels;

(e) make initial assessments of educational need together with provisional relativity ratings of applicant schools, with particular ratings being refined subsequently (giving particular attention to assessments of borderline cases around the expected funding cut-off point);

(f) develop and record assessment principles and processes, which meet government priorities and departmental guidelines, in respect of education needs;

(g) record details of the methods employed, input data used and results of the assessments, together with reasons for the assessments of applicant schools' educational needs; and

(h) record the basis for the assessed financial contribution of applicant schools.

(d) The provision of separate elements within the capital grants program was abolished in 1986 and replaced by the one general element. The two national elements, ie the Aboriginal and Torres Strait Islander element and the Disabled Students element, are not directly subject to PFC scrutiny, but are considered in annual rounds. Recommendations made by Audit in relation to the assessment of similar grant applications therefore have been overtaken by the setting of changed parameters for the program.

(e-h) PFCs now make detailed assessments of the educational need of schools utilising area and costs standard criteria as outlined in Section 2.2(iii) of the 1981 guidelines and Section 3.26 as well as Appendix B in the 1986 Administrative Guidelines. With the introduction of the CASPA system in 1985, standardised procedures were adopted. Letters to schools advising them of progress in the assessment process relating to their applications have likewise become standardised among State Offices as a result of the now uniform ADP processing system. The use of the visit report form referred to in the response to Recommendation 8(c) ensures that reasons for conclusions made in the educational assessment of applications are recorded.

The Department is developing standard forms summarising financial needs data for use by June 1987.

Preparation and check of final sketch plans

Audit Recommendation 10

The Department should:

- (a) design standard operational procedures and advice letters in respect of final sketch plans, providing notification of assessed financial contributions by schools, nomination of building consultants, and requesting schools to furnish plans, costings and associated documentation within a specified time, including reference to provisions for approval of time extensions where justified;
- (b) advertise building consultant vacancies, appoint some suitable persons in non-metropolitan areas as consultants, and ensure that all building consultants hold approved appointments before and while performing duties;
- (c) issue guidelines on the functions and responsibilities of building consultants in relation to the development, implementation and evaluation of school building projects, including, if appropriate, the retrospective evaluation of the effectiveness of capital grants to individual schools;
- (d) have State Offices provide induction training for newly appointed building consultants and keep all consultants informed of program priorities and administrative arrangements through periodical briefings and/or newsletters;

Department's response

- (a) Comments made in response to Recommendation 9(e-h) as to the relevant effect of the introduction of the CASPA system and the resulting standardisation of advice letters also apply here.
- (b) Vacancies for building consultants are now advertised in a standard form in all States when vacancies occur. Consultants are employed on a contract basis. State Offices of the Department have been directed not to use the services of consultants outside their tenure and terms of appointments.

(c,d) While guidelines specifically for use by consultants have not been developed at this stage, consultants are provided with detailed briefings on the capital grants program as part of their induction on appointment. This includes the issue of all relevant procedural statements, guidelines and other pertinent publications. They are informed through State Offices of any new policy developments concerning their area of activity. This information is updated as the need arises. The desirability of providing a consolidated information package to consultants is being addressed in the formulation of administrative procedures for block capital grants.

- (e) review existing State Office procedures relating to the pattern of building consultant visits to schools and issue revised guidelines on the expected number, timing and duration of visits and contacts with school architects;
- (f) produce building consultant report forms of standard design for reporting periodically on progress, including reports on the results of particular school visits; and
- (g) specify the respective responsibilities of PFCs, building consultants and State Offices for the scrutiny of final sketch plans and associated documentation, and produce standard checklists for each of these parties to record performance of their tasks.

Recommendations for capital grant offers

Audit Recommendation 11

The Department should:

- (a) require schools seeking funds for leasing facilities to furnish proof of ability to meet leasing costs from their own resources at the end of the assistance period, and review the viability of these schools well before the end of that period;
- (b) review the adequacy of the project profile form;

(e-g) Standardised instructions have been provided by Central Office in relation to the use of building consultants, incorporating suggested frequency of visits, contact persons, use of particular report forms, etc.

Work is almost complete on the development of a standard check-list on final sketch plans and associated documentation, although some States currently use their own administrative check lists devised for this purpose.

Department's response

(a) The number of projects involving the provision of a grant to assist with leasing of facilities is very small. However, the Department acknowledges the desirability of establishing a school's long term viability prior to offering short term leasing grants. Program Guidelines now specify that schools must be able to demonstrate that leasing costs can be met from school resources at the end of the assistance period.

(b,c) The project profile form has been updated to incorporate more information on schools' catchment areas and the school community. It is now standardised.

- (c) require PFCs and State Offices to obtain more specific information on school communities and statistical data on the areas served by applicant schools and to record their consideration and assessment of recommended applications on project profile forms; and
- (d) monitor the quality of project profile documentation at specific intervals and take appropriate corrective action.

Central Office scrutiny of recommended project proposals

Audit Recommendation 12

The operations which were undertaken previously by the Commission's School Facilities Branch should be improved by:

- (a) examining more closely the quality of PFC recommendations and the conformity of project proposals to program guidelines, and providing appropriate advice to the Minister's delegate about capital grant applications;
- (b) developing indicators of workload, staff productivity and processing times for casework, and monitoring performance against standards;
- (c) keeping an official consolidated set of internal program guidelines and procedural instructions;

(d) A more comprehensive program of quality control checks, which will also incorporate regular scrutiny of project profile documentation is being developed.

Department's response

(a) With the introduction of standardised approval procedures, scrutiny of PFC recommendations and State Office evaluations has been intensified. Submissions seeking the approval of the Minister or her delegate now contain more analytical information as to project conformity with program guidelines.

(b) A periodic reporting facility within the ADP system in relation to workloads and processing times is being developed in the context of program budgeting. Reporting facilities of CASPA are being progressively updated to further facilitate increased quality control.

(c) A consolidated set of internal guidelines for the various program elements is now being kept in Central and State Offices of the Department.

- (d) documenting work procedures associated with the processing of applications and post-approval actioning of capital grants at Central Office;
- (e) producing standard checklists or control sheets to assist in performance of work and to record that necessary work had been completed satisfactorily; and
- (f) instituting appropriate indexes for policy and administrative files and school application case files.

Post-approval action on capital grants

Audit Recommendation 13

The Department should:

- (a) review the adequacy of the design of payment schedules;
- (b) review the adequacy of the wording of the standard accountant's certificate in terms of legislative requirements;
- (c) seek a delegation from the Minister to approve time extensions for furnishing an accountant's certificate and grant such extensions in appropriate cases; and
- (d) ensure prompt follow-up action is taken on outstanding certificates.

(d) By June 1987 it is proposed to issue an administrative circular to State Offices of the Department setting out in detail the post approval work processes undertaken by Central Office. The CASPA Manual provides an account of action that is involved in dealing with an application once approval for a project has been given.

(e,f) Central Office is now using a detailed check list (CGI) to progressively record administrative action on each application. State Offices of the Department have been forwarded separate action check lists to assist processing of applications at that end, with the instruction to use these lists in conjunction with each project file. CASPA now incorporates indexes of policy and administrative case files. Both Central Office and State Office file numbers are cross-referenced.

Department's response

(a) Payment schedules were revised at the time of the introduction of the Department's CASPA system. Design deficiencies noted by Audit have been rectified.

(b) Work is to be undertaken and completed by June 1987 to examine and review the procedures involving the provision of accountant's certificates in relation to grants paid under the program.

(c) The First Assistant Secretaries of the Department's Schools General Programs Division and Management Division are delegated to approve a time extension for the provision of an accountant's statement, if the circumstances warrant such extension.

(d) The Department's ADP system contains a reporting facility which lists projects for which accountability statements are due. State Offices now make regular use of this facility to ensure that follow-up action is being taken on outstanding certificates.

Information Base for the Capital Grants Program

Audit Recommendation 14

The Department should:

- (a) maintain an adequate information base, through surveys or other means, for the assessment of the needs of established schools for buildings and facilities, to assist discharge of policy advice and program development responsibilities;
- (b) collate, analyse and use information relating to capital grant applications associated with significant increases in school enrolments, to support overall planning for the provision of new school places and proper assessment of particular capital grant applications;
- (c) review the design of capital grant statistics to ensure they are comprehensive, sufficiently detailed and relate to appropriate time periods, issue a manual covering statistical information requirements and monitor State Office compliance;
- (d) ensure the statistical series are produced on time, properly analysed and used in relation to the further development of policies, programs and administrative arrangements where appropriate;
- (e) rationalise and integrate as far as practicable the information currently held on schools' operations and capital grant histories; and

Department's response

(a,b) The Department recognises the desirability of having comprehensive information to support policy development. Current government policy, however, is that the primary responsibility for the provision of school facilities rests with government and non-government school authorities in the States and Territories. The great majority of non-government school capital projects are financed by schools or school authorities from other sources and the Commonwealth gives explicit recognition to this in its formula for determining general recurrent grants.

With regard to the suggestion on the assessment of planned educational provision it must be recognised that there are limits to the Commonwealth's powers over the construction of facilities for new student places and its ability therefore to gather and use detailed data of the kind perhaps envisaged by the Audit Office when recommendation 14(b) was framed.

The revised policy on new schools and those undertaking a change in operations, announced in March 1985, included provision for the establishment of committees in the States and Territories to make recommendations on the priority to be afforded applications for Commonwealth General recurrent funding. These committees draw heavily on information held by State governments and non-government school authorities. It is arguable that the Commonwealth would be engaging in significant duplication of effort were it to go as far in the setting up of a data base as might be inferred from a literal interpretation of the recommendations.

- (f) for the future development of the information base, identify more precisely its information needs relating to policy initiatives and program administration, and institute appropriate nation-wide systems for collecting and reporting statistical data preferably as a by-product of computerised systems for processing capital grants.

(c,d) Capital grant statistics are now contained in the CASPA system. The CASPA manual now covers requirements of State Offices in relation to statistical input data. A built-in check program ensures that adequate and relevant input is available before it is possible to proceed to a subsequent application processing stage. The statistical series referred to in the Audit report were not continued, as the CASPA report transactions are now able to provide relevant information on an "as required" basis.

Staffing restrictions have so far prevented the collection and evaluation of some of the by-product information. It is proposed to develop a statistical information system as priorities and resources permit.

LIST OF HEARINGS AND WITNESSES

27 April 1987, Canberra

Australian Audit Office

Mr J O'Neill
Mr A Minchin
Mr R Laphthorne

Department of Education

Mrs D Mildern
Mr A Abraham
Mr G Lillicrap

Commonwealth Schools Commission

Mr G Boomer
Dr J McMorrow
Mr R McNamara

Observers

Ms P Gaughwin
Mr V Cassimatis
Mr P McIlwain

13 May 1987, Canberra

Department of Finance

Mr A Rizvi
Mr M Holmes
Mr N Mersiades
Mr V Cassimatis

Observers

Mr P McIlwain
Mr R Laphthorne
Mr E Anjoney
Mr N Seabrook
Mr P Schaefer

27 May 1987, Canberra

National Council of
Independent SchoolsMr B Durston
Mr T Chapman

Department of Education

Mrs D Mildern

Observers

Mr P McIlwain
Mr R Laphthorne
Mr J Louttit

LIST OF SUBMISSIONS

National Catholic Education Commission
NSW Catholic Education Commission
Commonwealth Schools Commission
Department of Education
Department of Finance
National Council of Independent Schools
Dr P Tannock

Some of the above organisations and individuals have forwarded more than one submission during the Inquiry.

Australian Audit Office's account of the circumstances
surrounding a grant to All Hallows School

1. In 1984 the then Chairman of the Commission approved a capital grant of \$400 000 for a new building for a school in New South Wales and the appointment of a particular project management firm for the construction of the building. Audit findings together with the responses by the Commission and the former Chairman are summarised below.
2. The school concerned lodged an application in the 1982 funding round for demolition of an existing building and construction of a new building. Following visits to the school by the PFC and a building consultant, the PFC rejected the application for a new building because, in its view, the existing building was still useful and could be restored at much less cost than replacement. The PFC considered that the need for refurbishment was not of sufficient priority to attract Commonwealth assistance. The school made another application in the 1983 funding round. After further independent professional advice (from the Department of Housing and Construction), the PFC again decided that support for a project involving demolition of the existing building could not be recommended.
3. The school and its project team which was constructing other new facilities financed by the school, remained of the view that the building was structurally unsound and could not be effectively or economically refurbished. As a consequence, the Commission appointed an independent consultant who reported in May 1984 that the building was basically sound and that the cost of providing suitable facilities by means of refurbishment and some additions would be approximately \$300 000 less than the cost of replacement by new facilities. The school, however, said that these cost estimates were not realistic. The Commission's State Office initially agreed that the Commission's and school's professional advisers should meet to resolve this issue, but subsequently informed the school in July 1984 that the independent consultant would obtain a cost estimate for the refurbishment work from a contractor, and sought co-operation in providing site access. The school did not reply.

4. School representatives met the Commission Chairman in August 1984 and then lodged a further application for capital assistance as part of the 1984 funding round. In the same month the Chairman decided that the PFC should consider immediately the application for new facilities on the condition that any recommended grant would not exceed \$400 000. In September 1984 the PFC considered the application and decided that there was insufficient evidence to justify support for demolition of existing facilities and construction of new facilities. The PFC resolved that refurbishment of existing facilities would be educationally appropriate and that this approach should be further investigated. The State Office indicated support for the PFC's stance and advised that, on the basis of the building consultant's estimates, the school might have no need for Commonwealth financial assistance for the refurbishment project.
5. In line with advice from senior Central Office staff, the Chairman informed the school in October 1984 that approval had been given for a grant of up to \$400 000 for its new building project. He added that a formal offer would be made once the Commission was assured that the project proposal conformed with Commission guidelines and that the cost of the project had been confirmed. In the same month the PFC Chairman wrote to the Minister for Education and Youth Affairs and the Commission Chairman, expressing the PFC's concern about the grant made for the new school building.
6. In November 1984 the State Office scrutinised the number, size and cost of the proposed facilities and found them to be within Commission guidelines. The State Office noted that the school wished to use a project management approach and to appoint the particular project management firm which had constructed other new facilities for the school ('Stage 1' of the school's own re-development program). The school's financial contribution to the project was also assessed by the State Office.
7. In December 1984 the Commission's Central Office recommended approval of the project management approach involving the appointment of the particular management firm. In accordance with this advice, the Chairman made a formal grant offer to the school in the same month.

Source: Australian Audit Office, Efficiency Audit Report, pp 48 and 49.