



Australian Government  
Department of Education,  
Skills and Employment

# Schools Funding Assurance Framework

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The document must be attributed as the (School Funding Assurance Framework).

# Document control

## Version history

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2.0	16 September 2019	Director, Assurance Policy and Legislation	Final for publication with consultation comments reflected.
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**NOTE:** This version of this document was valid at the time it was printed. Please regularly check for any updated versions.

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## Purpose of the Schools Funding Assurance Framework

### Objective

This document provides an overview of the Australian Government Department of Education's (the department's) approach to managing risk of error, non-compliance and fraud in respect of Australian Government funding for school education under the *Australian Education Act 2013* (the Act) and the *Australian Education Regulation 2013* (the Regulation).

Record levels of Australian Government recurrent school funding have led to increased scrutiny of how these funds are being used. Further, record-funding levels have raised questions regarding the connection between increased funding and improved school outcomes. The department is committed to engaging constructively with state and territory governments, and other Australian Government agencies, to enable a cohesive and nationally consistent regulatory environment. The department's plan is to achieve this by promoting cooperative data and information sharing, and reducing administrative burden/red tape.

Preventing the occurrence of error, non-compliance and fraud is a key focus. This includes working with the schooling sector to support Approved Authorities to become and remain compliant, and undertaking assurance activities to identify non-compliance.

The assurance framework outlines the department's risk-based approach to monitoring compliance. It also describes how it will respond when Approved Authorities are not meeting their requirements.

The department has longstanding procedures in place that have been effective in assuring the Australian Government's investment in schools. However, the legislative and policy landscape has been changing. The Act commenced on 1 January 2014 and was amended on 23 June 2017 to give effect to the *Quality Schools* package, with changes to funding arrangements commencing from 1 January 2018. These changes have been made to support a funding model that is transparent, consistent and needs-based.

This assurance framework has been developed to ensure the department's assurance approach remains appropriate to provide confidence Australian Government funding for schools is being spent in accordance with legislative requirements, and is able to adapt to meet the needs of future changes in the education landscape.

### Legislative context

The Act is the principal legislation governing the provision of Australian Government funding to government and non-government schools. The Regulation provides more detail to support the operation of the Act. It outlines the financial accountability and other conditions required to be met in order to receive funding under the Act.

Under constitutional arrangements, state and territory governments are responsible for ensuring the delivery and regulation of schooling to all children of school age in their jurisdictions. The Australian Government is responsible for national leadership in key policy priority areas designed to achieve strategic outcomes.

The Australian Government provides the majority of public funding for non-government schools, which is supplemented by the states and territories. The states and territories provide the majority of public funding for government schools, with the Australian Government providing supplementary assistance. All Australian Government school funding is paid to (and through) state and territory treasuries as per constitutional requirements.

In the 2018-19 financial year, the Australian Government will provide \$19.7 billion in funding for schools, including both government and non-government schools.

Under the Act, Australian Government recurrent funding for schools is distributed to 'Approved Authorities'. Approved Authorities are legal entities approved to receive Australian Government recurrent funding for one or more schools. When an Approved Authority operates more than one school, the Australian Government provides the funding allocation for all the schools it operates as a single funding amount. Grants of financial assistance to states and territories are subject to various conditions being met and include the requirement to have a national and bilateral agreement with the Commonwealth.

#### **National School Reform Agreement**

Under paragraph 22(2)(a) of the Act, states and territories are required to have a [National School Reform Agreement \(the Agreement\)](#) with the Commonwealth. This Agreement outlines a set of strategic reforms in areas where national collaboration will have the greatest impact, builds on current national reform efforts, complements state and territory leadership in each jurisdiction and supports local implementation.

Shared accountability through reporting and public transparency are key mechanisms to give the community confidence that outcomes are being achieved and reforms to improve the quality and equity of Australia's schooling system are being implemented by states and territories. The Education Council of COAG is responsible for overseeing implementation of this Agreement and is required to submit an annual public report to COAG outlining progress towards implementing the national policy initiatives against the milestones (Schedule B of the Agreement).

#### **Bilateral Agreement**

Under paragraph 22(2)(b) of the Act, states and territories are required to have a [Bilateral Agreement](#) with the Commonwealth that sets out state-specific actions to improve student outcomes. Bilateral agreements include activities that support particular student cohorts such as Aboriginal and Torres Strait Islander students, students in regional, rural and remote areas, students with disability and students from a low-SES background.

Similar to the National Reform Agreement, the Education Council of COAG is responsible for overseeing implementation of the Bilateral Agreements.

#### **Non-Government Reform Support Fund**

As part of the *Quality Schools* package, the Australian Government announced the Non-Government Reform Support Fund (Reform Support Fund) for non-government representative bodies (NGRBs) in 2017.

Funding of \$200.1 million over five years from 2018 to 2022, will be provided to NGRBs to support implementation of national and state reforms in all non-government schools. These reforms will generally be the national policy initiatives set out in the new National School Reform Agreement and the state reform actions set out in each state's bilateral reform agreement with the Commonwealth.

The Minister for Education has approved 16 NGRBs under Section 91 of the Act, a Catholic Education Commission and an Association of Independent Schools in each state and territory.

Under the [Reform Support Fund Guidelines](#), NGRBs are required to seek approval of their annual work plans outlining the activities to be undertaken for the year as a condition of financial assistance.

### **The department's responsibility**

The department is responsible for:

- the calculation and provision of Australian Government school funding
- administration of the Act and the Regulation
- guiding major policy reforms at a national level and
- delivering the Australian Government's commitments on key programs and initiatives affecting school education and youth related areas.

Due to the considerable sum of money that the Australian Government invests in education, it is important there are sound assurance mechanisms to ensure the funding provided is used in accordance with the legislative requirements.

The department's role is to monitor Australian Government funding provided to Approved Authorities to ensure the government's objectives are being achieved and funds are being expended in accordance with the requirements of the relevant legislation.

### **What is the assurance framework?**

The assurance framework is an overarching document that sets out how assurance is practically undertaken by the department to make sure:

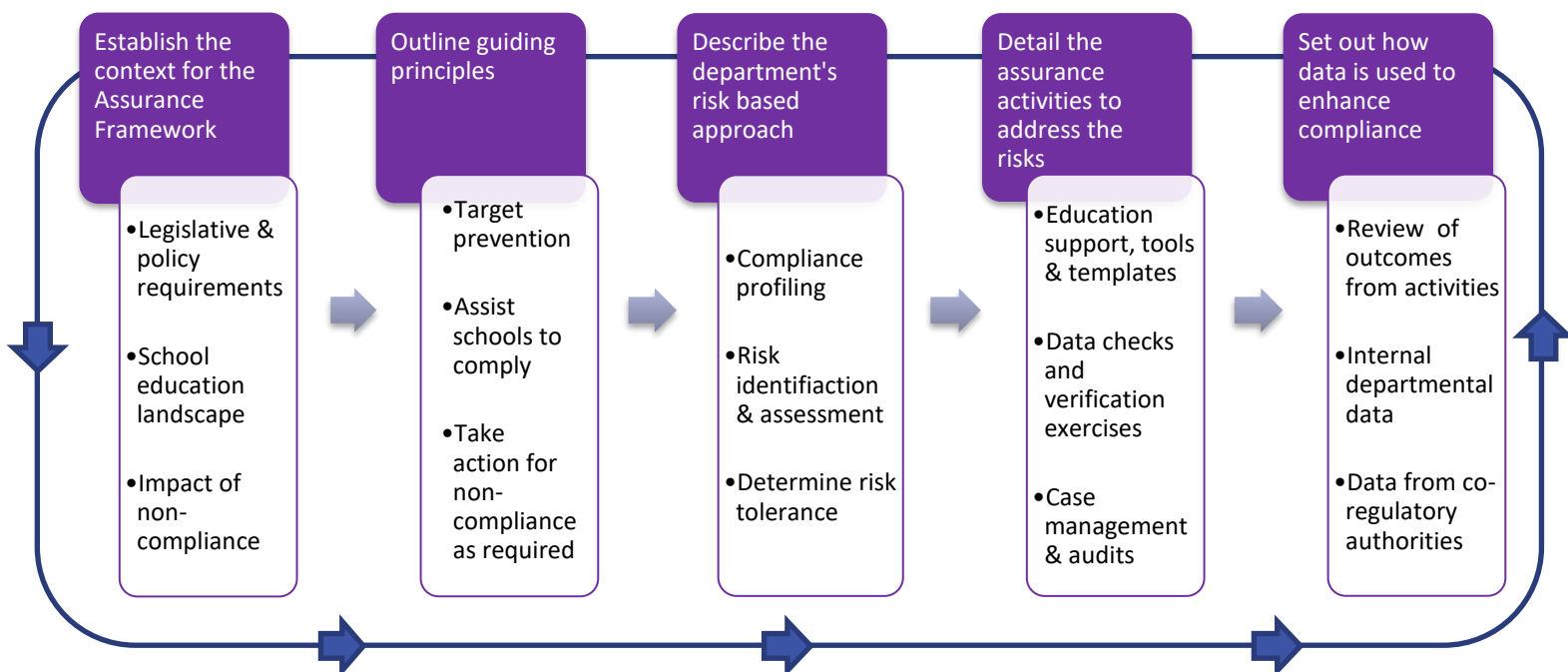
- Australian Government funding for schools is being appropriately spent, in accordance with the requirements of the Act and Regulation
- Approved Authorities are assisted and encouraged to become compliant and stay compliant
- non-compliance is identified and addressed
- Approved Authorities are not unreasonably burdened by compliance, or forced to bear an unreasonable cost of compliance
- systemic compliance issues are identified, so that policies and processes can be amended to remedy issues.



The framework covers all major funding streams provided by the Australian Government for, or in respect of, government and non-government Approved Authorities, including:

- recurrent funding
- capital grants and
- other grants and assistance.

The flow diagram below highlights the key elements of the framework.



### Impact of non-compliance









School funding is intended to assist with the genuine costs of providing education to school students. The significant majority of Approved Authorities meet their obligations to use public funds appropriately. However, some Approved Authorities either do not have the capability to comply, or deliberately choose not to comply with requirements for spending the funding provided to them. As part of the department’s responsibility to assure the appropriate use of school funding, it undertakes ongoing assurance procedures to ensure funding is properly administered by Approved Authorities.

Misappropriation of Australian Government funding is an extremely serious issue. Non-compliant behaviour and defrauding the government of school funding damages the public’s perception of the sector and the department, increases costs to the Australian Government and taxpayers and has the potential to adversely impact on student outcomes.

The department is committed to continually improving the integrity of school funding, taking action where required to respond to error, non-compliance and fraud, and addressing any identified gaps or weaknesses to protect the integrity of the system.

### Assurance principles

The Schools and Youth Cluster approach to managing the appropriate use of school funding, including determining responses to breaches, error, non-compliance or fraud, is consistent with the Australian Government and departmental policy. In addition, the approach is governed by the following principles:

 <p>We target prevention</p>	<p>Our preference is to stop inappropriate use of government funding happening rather than taking action after a compliance breach has occurred. We aim to make compliance easy through the provision of tools and templates. We provide schools with clear information in respect of their obligations and responsibility to expend funds for appropriate purposes.</p>
 <p>We respond appropriately</p>	<p>The legislation allows a variety of actions with a range of severity with which to respond to error and non-compliance. We use a proportional approach in responding to non-compliance based on the severity of the contravention, the history of the non-compliant approved authority, overall trends in non-compliant behaviour and the Approved Authorities' response to corrective action we take.</p>
 <p>We are responsive</p>	<p>The department will undertake ongoing monitoring of the school sector and share data across the department, with other agencies and with state and territory education authorities. We will act quickly when high consequence breach behaviours are detected. The department will perform reviews and compliance activities in as timely a manner as is practicable, noting that the time taken for reviews of decisions varies from case to case.</p>
 <p>We act consistently</p>	<p>A consistent approach does not mean that all cases are decided in the same way, but it does mean that the department applies consistent procedures when handling and responding to suspected or known non-compliance, fraud, debt recovery or criminal activity.</p>
 <p>We are fair</p>	<p>The department acts fairly and objectively, ensuring that if any non-compliance is identified, the affected Approved Authority and individuals will be given an opportunity to respond. The department takes seriously its requirement to maintain procedural fairness in conducting audits, investigations, enforcement, decision-making and review activities.</p>
 <p>We are impartial</p>	<p>The department is impartial and makes decisions based on the available evidence. The circumstances of a matter will determine the department's response and decisions will deal with the facts of a case.</p>
 <p>We are transparent</p>	<p>The department provides natural justice in dealing with individuals and approved authorities suspected of breaching requirements. Approved authorities are advised of the apparent non-compliance and have an opportunity to respond. Their response will be considered prior to a decision to sanction being made, except where an immediate suspension of funding is warranted.</p>
 <p>We are accountable</p>	<p>The department is accountable to the Parliament, the department's Executive and the public for ensuring the financial integrity of school funding. The department is held to account through review of activities and procedures including independent audit and assurance of financial reporting and administration by the ANAO.</p>

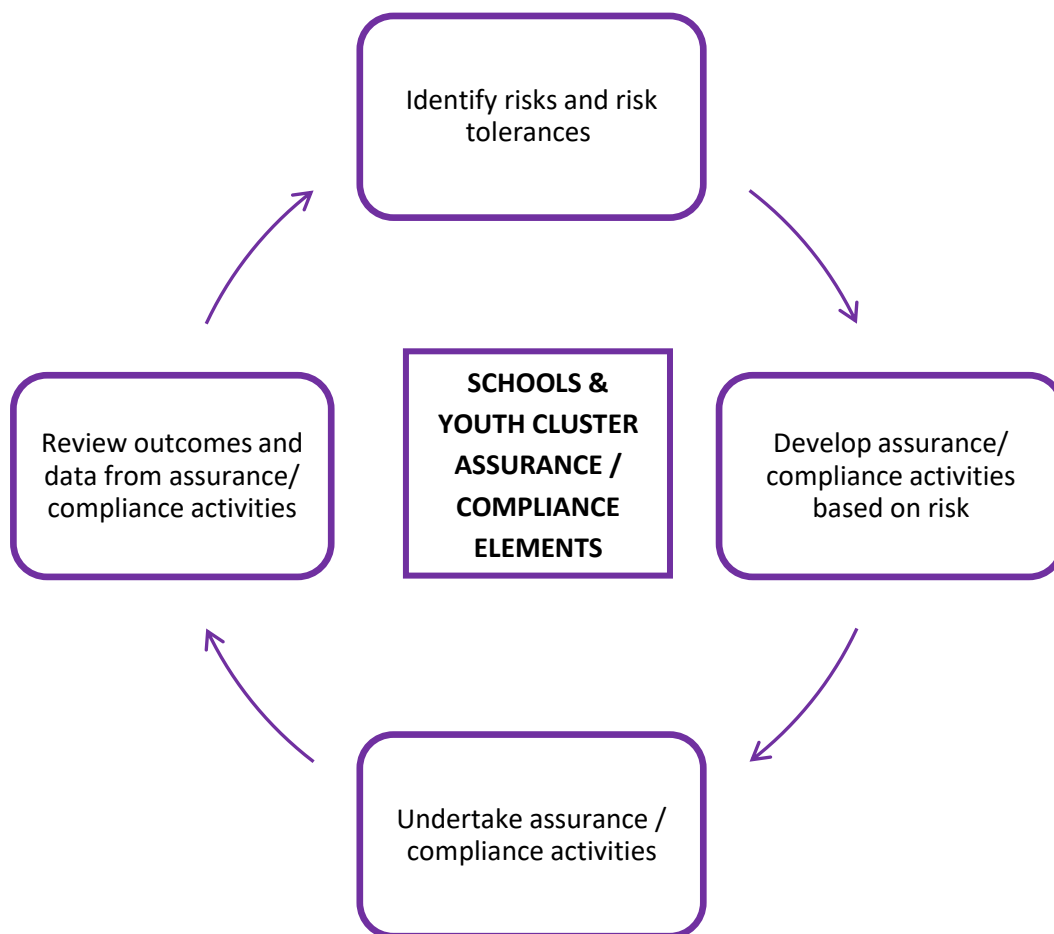
## Risk based approach to assurance

### Risk elements

The department recognises it has the primary responsibility for ensuring the accountability of the funding provided to Approved Authorities, and in the absence of scrutiny over the use of this funding, there is an unacceptable risk of funding being used in a manner inconsistent with the Australian Government’s objectives and the legislation.

However, it is not feasible to expend unlimited funds and resources monitoring Approved Authorities’ use of funding. A risk-based approach is critical to ensure assurance and compliance activities are sufficient but not excessive, cost effective, and appropriate to address the potential likelihood and consequences of identified risks.

The assurance and compliance framework is based on principles of effective risk management outlined in the International Organization for Standardization’s standard *ISO 31000:2018: Risk Management*, and the Department of Finance’s Commonwealth Risk Management Policy. For this assurance and compliance framework, the key elements for developing risk based assurance and compliance activities are illustrated below:



## Profile of the schooling sector

The Australian school education system is stable and mature. Since the 1970s, Australian Government recurrent funding has been provided for schools.

To be eligible to receive funding under the Act, all schools (including their Approved Authorities) must meet a number of eligibility requirements. One of these requirements is that Approved Authorities must operate on a not-for-profit basis (Section 75 of the Act).

Whilst they still present some attendant risks, there are characteristics of not-for-profit entities that make the schooling sector different to other sectors the department is responsible for, which include for-profit operators. Not-for-profit entities are unable to distribute profits (either directly or indirectly) to individuals. The inability for individuals to directly profit from these entities' operations reduces the risks in respect of the deliberate misuse or misappropriation of funding.

The state and territory governments are the primary managers of government (or 'public') schools in Australia. They are responsible for assuring both state and Australian Government funding sources are provided to appropriately fund government schools. State and territory governments are responsible for monitoring the compliance of the government schools in their jurisdiction but they also co-regulate the non-government schooling sector with the Australian Government.

The department acknowledges the role of states and territories does not, of itself, eliminate all risks related to the expenditure of Australian Government funding, however it does considerably reduce the risks of non-compliance and fraud.

The assurance framework recognises the schools sector profile outlined above, and the impact that this has on compliance risk.

## Compliance approach

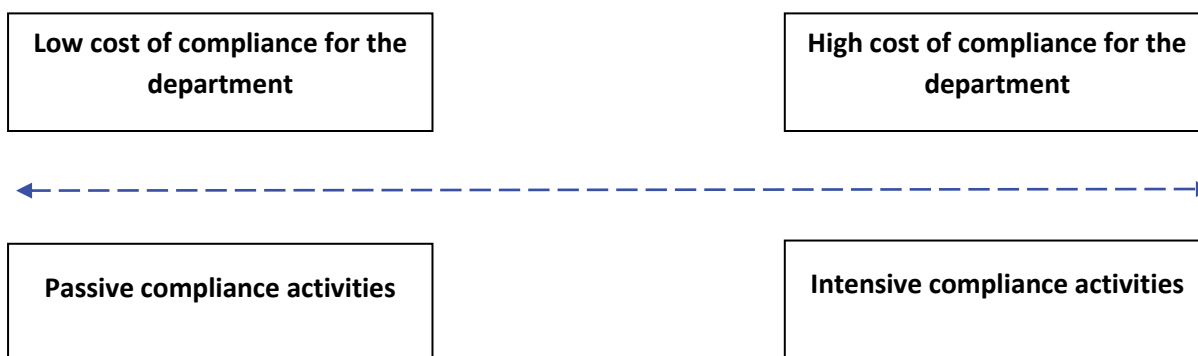
It is important that the department have a compliance approach based on established risk management principles. This will ensure that:

- an appropriate level of assurance is undertaken by the department
- Approved Authorities are not subject to excessive or onerous requirements
- highest risks receive most attention
- there is a cost effective and resource effective approach to assurance / compliance activities
- any gaps in the assurance activities undertaken by the department can be readily identified and
- any duplication of assurance and compliance effort can be readily identified.

The department's compliance approach is adapted from the Ayres and Braithwaite responsive compliance model. This approach focuses on promoting voluntary compliance and monitoring patterns of behaviour, considers a risk assessment index of potential error, non-compliance or fraud, investigates suspected breaches, and intervenes accordingly. The approach, including the application of the department's intervention responses, is a continuum, allowing both graduated and reduced compliance action dependent on the increased or decreased level of compliance behaviour of the entity (Approved Authority) in question.

**Table 1: Department’s compliance approach, adapted from the Ayres and Braithwaite responsive compliance model.**

Entity’s compliance profile	<i>We have made a conscious decision to comply</i>	<i>We are trying to comply but we don’t always succeed</i>	<i>We are resistant to compliance</i>	<i>We have made a conscious decision to be non-compliant or are reckless about our obligations</i>
Entity’s compliance outcomes	The Approved Authority meets its compliance obligations and has effective compliance systems and management, and has a philosophy of compliance.	The Approved Authority generally meets its compliance obligations and has some compliance systems. Management has awareness of the requirements of the need for compliance but may lack capability and capacity.	The Approved Authority generally disregards compliance and has limited / poor compliance systems, and governance. Management is not aware of its compliance obligations and/or takes opportunities to exploit for gain.	The Approved Authority is deliberately non-compliant and/or has no compliance systems or structures. There may be criminal / fraudulent intent by management.



Department’s likely intervention response				
Department’s high level philosophy for each type of entity’s pattern of compliance behaviour	Capacity Building / Inform	Restorative	Deterrence	Enforcement
What does the philosophy entail?	Supporting Approved Authorities through the provision of education, information and other resources	Working with the Approved Authority to correct the non-compliance through education, information and other resources	Correcting the non-compliance and addressing the Approved Authority’s opportunistic systems and behaviours	Using the full powers available to the department, which could include removing funding and initiating criminal proceedings
Potential Departmental Assurance / Compliance Activities	<ul style="list-style-type: none"> <li>Training and Education</li> <li>Consultation on Assurance / Compliance Activities</li> <li>Support from the department</li> </ul>	<ul style="list-style-type: none"> <li>Help desk support for entities</li> <li>Obtaining further information from schools</li> <li>Providing information to schools to assist compliance</li> </ul>	<ul style="list-style-type: none"> <li>Issuing Notices (Section 66 of the Regulation)</li> <li>Requiring amounts of funding to be repaid (Part 8 of the Act)</li> <li>Placing conditions on approval</li> <li>Case Management</li> <li>Audit</li> </ul>	<ul style="list-style-type: none"> <li>Withdrawal of funding</li> <li>Revoking of Approved Authority</li> <li>Criminal charges and prosecution</li> </ul>

An Approved Authority's compliance profile may vary over time, and vary in respect of different aspects of compliance. For example, a school may have issues with providing accurate census data, but no issues in reporting in its financial questionnaire. For this reason, non-compliance is initially actioned at an activity level. However, 'entity' non-compliance in one area can be an indicator of higher risk of non-compliance in another area, which is why communication of Approved Authority non-compliance to other areas of the department is so important.

There is also likely to be a range of different compliance profiles across the population of Approved Authorities. However, the department has been able to observe the compliance profile of Approved Authorities over a number of years, and develop a consolidated view based on the results of its compliance and assurance activities.

The results of assurance and compliance activities undertaken show that, in the main, Approved Authorities try to get it right, and where they do not, the errors are unintentional and due to lack of understanding of what is required or simple mistakes. For these Approved Authorities, education is an important tool in providing information that assists them to comply, and assurance and compliance processes that check for errors and incorrect classification are effective in remedying the innocent mistakes that happen from time to time.

However, historical observations show there are a small number of Approved Authorities who are either resistant to compliance or make a decision to intentionally not comply.

Accordingly, the assurance and compliance procedures undertaken by the department need to reflect this overall compliance profile. A number of assurance and compliance activities should be directed at those Approved Authorities that try to comply, and assist in detecting unintentional errors that are made. However, the department also needs to have assurance and compliance tools it can call upon where Approved Authorities are resistant to compliance or deliberately seek not to comply.

The department's assurance, compliance and educational activities aim to move all Approved Authorities towards making a conscious decision to comply with their obligations in respect of the funding provided to them. However, it is likely to be impossible to completely move all Approved Authorities to this compliance profile. The department has robust procedures upfront aimed at preventing the approval of authorities (and their representatives) who are not suitable for responsibly expending Australian Government funding. However, the department recognises wherever Australian Government funding is provided to third parties, there is a risk that some will seek to deliberately or recklessly misuse this funding.

The department's risk identification activities (discussed below), and continual monitoring of the outcomes of assurance and compliance activities, help it to identify non-compliant providers, allowing action to be taken to encourage them to comply or face removal of their status as an Approved Authority.

## Risk identification

In addition to being guided by the compliance profile of Approved Authorities, the assurance and compliance procedures undertaken by the department are informed by the risks of non-compliance with the relevant legislation, as identified through the conduct of risk assessments.

The department’s process for identifying risks of errors, non-compliance or fraud concerning the use of Australian Government school funding has two key components:

- undertaking risk assessments for key funding streams as outlined below and
- observing results of compliance procedures, using data to identify risks (refer section 3.2 for details).

## Risk assessments

Risk assessments are conducted in accordance with *ISO 31000:2018: Risk Management*, and the Department of Finance’s Commonwealth Risk Management Policy.

**Table 2: The following broad risk management plans have been completed**

Risk management plan	Key risks identified	How risks are managed
<p><b>School Assurance Branch Risk Management Plan 2017/18.</b></p>	<ul style="list-style-type: none"> <li>▪ Approved Authorities for schools may be unaware of their requirements under the Act.</li> </ul>	<ul style="list-style-type: none"> <li>▪ The department actively communicates with Approved Authorities to make them aware of potential compliance issues. This includes the communication of sector wide issues and targeted correspondence to particular Approved Authorities with a history of compliance issues.</li> <li>▪ The department undertakes a range of assurance and compliance activities, and communicates to Approved Authorities that their reporting of financial and student data may be subject to verification processes.</li> </ul>
<p><b>Administration of Australian Government recurrent funding for schools</b></p>	<ul style="list-style-type: none"> <li>▪ Approved Authorities are overpaid because the department is not notified of a school’s changes to key data (such as changes to student numbers, entitlement to support for students with disabilities etc.).</li> <li>▪ Incorrect data inputs (such as through the annual school census collection) which leads to an overpayment.</li> <li>▪ Schools use recurrent grant funding in a manner that is not consistent with the intended use of the funds as prescribed under the <i>Australian Education Act 2013</i> or the <i>Australian Education Regulation 2013</i>.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Approved Authorities are selected for the financial questionnaire verification exercise.</li> <li>▪ If an Approved Authority does not notify the department when its circumstances change, the delegate can determine the Approved Authority’s funding entitlement should be varied or suspended.</li> <li>▪ The department conducts an annual census post enumeration exercise to verify that census information provided by Approved Authorities (and their schools) is accurate.</li> <li>▪ Payment algorithms are quality assured by the department. In addition, the payment calculator has been rigorously tested by external auditors.</li> <li>▪ Each school undergoes a strict editing process upon completion of its census data. This includes logic checks, in-built within the collection application, and validation of data prior to departmental acceptance.</li> </ul>

Risk management plan	Key risks identified	How risks are managed
<b>The Capital Grants Program for Non-Government Schools</b>	<ul style="list-style-type: none"> <li>▪ Program outcomes or deliverables are not met.</li> <li>▪ Grant funding is misused by recipients as a result of deliberate deception or unintentional error.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Before project funding is approved, they are assessed by the BGAs against requirements in the Act, the Regulation, the Capital Grants Program Guidelines, the Operating Manual; and the Participant Agreement between the BGAs and the schools.</li> <li>▪ BGAs make recommendations to the department for approval of capital projects. The department assesses all recommended projects and the Minister's delegate makes the final decision to approve or reject proposals.</li> <li>▪ Annual Financial Accountability Report and other required documentation (accountant certificate/audited by Independent Account) submitted by BGAs demonstrate to the Department how funds have been spent, ensuring expenditure occurred for approved purposes.</li> </ul>
<b>Special Circumstances</b>	<ul style="list-style-type: none"> <li>▪ Application form is incorrectly completed as a result of deliberate deception or unintentional error.</li> <li>▪ Grant funding is misused by recipients.</li> </ul>	<ul style="list-style-type: none"> <li>▪ The department reviews the Approved Authority's historical financial viability information and requests current financial data to confirm eligibility.</li> <li>▪ Approved Authority may be placed on monthly payments to mitigate Commonwealth financial exposure.</li> <li>▪ Special circumstances funding is acquitted by a qualified accountant as part of the annual Financial Acquittal process.</li> </ul>
<b>Non-Government Representative Bodies</b>	<ul style="list-style-type: none"> <li>▪ NGRBs do not spend funding on activities directly related to agreed priority reform areas.</li> <li>▪ False claims/information provided by the NGRBs which results in national priorities not being addressed in the non-government schools sector.</li> </ul>	<ul style="list-style-type: none"> <li>▪ The department monitors reports submitted by NGRBs for any funding inconsistencies and a thorough understanding of where the funds have been directed</li> <li>▪ Annual financial acquittal arrangements submitted for review by the department.</li> </ul>

## Risk tolerance

The department administers a regulatory scheme that encourages schools to adopt high standards of corporate governance. Under its assurance framework, the department conducts a range of monitoring, assurance and compliance activities to ensure schools in receipt of Australian Government funding are operating in accordance with legislative requirements.

The department's tolerance for errors, non-compliance and fraud varies in accordance with the severity of each incident.

The department has a moderate tolerance for unintentional errors. The department's approach is to educate schools and provide them with support, tools and assistance to reduce the risk of future errors. Where common errors or unintentional non-compliance issues are identified from the department's assurance procedures, these are communicated to Approved Authorities (and their schools) to aid future compliance.

The department has a very low tolerance for deliberate non-compliance and fraud. Where the impact of the non-compliance is immaterial or minor, the department will seek to work with the Approved Authority to remedy the non-compliance.



Where the impact of deliberate non-compliance or fraud is material (in terms of dollar value or impact on educational outcomes), the department will take action to ensure that Australian Government funding is protected. This will include the department seeking explanations from schools, initiating audits where appropriate and recovering funds, if necessary. If it is found that serious breaches of the legislation occurred, the department will pursue actions which may include the cessation of Australian Government funding or referral to the department’s Fraud Team or relevant law enforcement agencies.

For all assurance activities, the department will develop a set risk tolerances that reflect these principles.

## Assurance activities

The department undertakes a range of assurance and compliance activities. The activities undertaken are based on the risks identified, the risk tolerance and the compliance profile of Approved Authorities.

The table below illustrates the key requirements of the Act, the data the department obtains and the key assurance activities undertaken.

**Table 3: Assurance and compliance activities**

	Approval / ongoing requirements for AAs	Provision of recurrent funding	Other payments under the Act	Requirements to spend on education	Educational Outcomes / performance
<b>Relevant legislation</b>	<ul style="list-style-type: none"> <li>▪ The Act, Part 6 - Approving Approved Authorities</li> <li>▪ The Act, Section 75 - Basic requirements for approval</li> <li>▪ The Act, Sections 77 and 78 - Ongoing policy and funding requirements for approved providers</li> </ul>	<ul style="list-style-type: none"> <li>▪ The Act, Part 3 – recurrent funding for schools</li> <li>▪ The Act, Part 3, Division 3 – Working out loadings (e.g SwD, Indigenous, low SES)</li> <li>▪ The Regulation, Part 2 – Grants of financial assistance to States and Territories</li> </ul>	<ul style="list-style-type: none"> <li>▪ The Act, Part 5 – Capital funding, special circumstances funding and funding for non-government representative bodies</li> <li>▪ The Act, Part 8 – taking action for non-compliance and requiring amounts to be repaid.</li> <li>▪ The Regulation, Part 4 – Capital and Other Funding</li> </ul>	<ul style="list-style-type: none"> <li>▪ The Act, Section 22(1) – conditions of financial assistance for government schools</li> <li>▪ The Act, Section 23(1) – conditions of financial assistance for non-government schools</li> <li>▪ The Act, section 78 – ongoing funding requirements for Approved Authorities</li> </ul>	<ul style="list-style-type: none"> <li>▪ The Act, Part 2 – Conditions of financial assistance – implementing national policy initiatives and agreements relating to school education.</li> <li>▪ The Regulation, Section 42 – Implementing a curriculum</li> <li>▪ The Regulation, Section 43 – student assessments</li> </ul>

	Approval / ongoing requirements for AAs	Provision of recurrent funding	Other payments under the Act	Requirements to spend on education	Educational Outcomes / performance
<b>Key inputs</b>	<ul style="list-style-type: none"> <li>Application for approval</li> <li>Financial information for Approved Authorities</li> <li>Block allocation reports</li> </ul>	<ul style="list-style-type: none"> <li>Census data including:                             <ul style="list-style-type: none"> <li>SwD data</li> <li>Indigenous data</li> </ul> </li> <li>Capacity to contribute                             <ul style="list-style-type: none"> <li>SES score data</li> <li>Student address data</li> </ul> </li> <li>ACARA collection of data including:                             <ul style="list-style-type: none"> <li>DLBOTE; and</li> <li>ICSEA.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Funding recommendations from Block Grant Authorities (BGAs)</li> <li>Information provided in Special Circumstances funding application form                             <ul style="list-style-type: none"> <li>Trend data on Approved Authority financial viability</li> <li>Analysis of Approved Authority compliance with requirements under the Act.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Approved Authorities provide reports on total financial assistance paid.</li> <li>Review of Block Allocation reports.</li> <li>Needs-based funding arrangements</li> </ul>	<ul style="list-style-type: none"> <li>NAPLAN results</li> <li>Performance measurement data</li> <li>Compliance Certifications</li> </ul>
<b>Department's Assurance activities and controls</b>	<ul style="list-style-type: none"> <li>Assessment of applications</li> <li>Searches of individuals to assess fit and proper person requirements</li> <li>Review of Audited Financial Statements</li> <li>Financial Questionnaire (FQVE)</li> <li>Compliance Certifications (Compliance Certificate Verification Exercise)</li> <li>Case management</li> <li>Audits</li> </ul>	<ul style="list-style-type: none"> <li>Census Post Enumeration for non-government schools.</li> <li>For government schools the department has safeguards to ensure data is suitable and accurate for the calculation of funding, including cross-check of figures with the ABS.</li> <li>Comparison with previous year enrolment data</li> <li>School funding production ready spreadsheet.</li> <li>Review of block allocation reports.</li> </ul>	<ul style="list-style-type: none"> <li>Assessment of Project Competitive Capital Grants for Non-Government Schools</li> <li>Capital funding project monitoring</li> <li>Review of reports from BGAs</li> <li>Contracts and grants management activities</li> <li>Program management</li> </ul>	<ul style="list-style-type: none"> <li>Ongoing review of Audited Financial Statements</li> <li>Financial Questionnaire (Financial Questionnaire Verification Exercise)</li> <li>Case management</li> <li>Audits</li> </ul>	<ul style="list-style-type: none"> <li>Compliance Certificate Verification Exercise</li> </ul>
<b>Relevant Co-regulatory assurance activities</b>	<ul style="list-style-type: none"> <li>States and Territories also have processes in place to register schools.</li> <li>ACNC regulation of Approved Authorities</li> </ul>	<ul style="list-style-type: none"> <li>MOU with ACARA.</li> <li>Australian Bureau of Statistics data.</li> <li>State and Territory census counts</li> <li>NSRB review of data.</li> </ul>	<ul style="list-style-type: none"> <li>Block Grant Authority assessments of capital grant applications, and monitoring of progress.</li> </ul>	<ul style="list-style-type: none"> <li>Evidence Institute.</li> <li>International performance</li> </ul>	<ul style="list-style-type: none"> <li>States and Territories review educational outcomes for both government and non-government schools</li> </ul>
<b>Outcomes of assurance activities</b>	<ul style="list-style-type: none"> <li>Refuse approval of Approved Authority.</li> <li>Revoke approval of Approved Authority</li> <li>Conditions for continues approval (i.e. requirement to improve governance processes)</li> <li>Vary funding</li> </ul>	<ul style="list-style-type: none"> <li>Recalculation of school funding entitlements.</li> <li>Funding recovery.</li> <li>Further assistance to schools to help improve accuracy of census reporting</li> </ul>	<ul style="list-style-type: none"> <li>Requirement for schools receiving capital grants and other payments to fulfil their contract obligations</li> <li>Withdrawal of funding where applicable</li> </ul>	<ul style="list-style-type: none"> <li>Requirement for Approved Authorities to repay funds used for ineligible purposes.</li> <li>Revocation of approval where there is serious non-compliance</li> </ul>	<ul style="list-style-type: none"> <li>Require Approved Authority to improve policy approach.</li> <li>Potential to include common assurance items into capability training documents.</li> </ul>

## **Analysis of outcomes of assurance activities**

The data obtained through conducting assurance activities provides valuable information that:

- helps identify Approved Authorities that are not complying, have a higher risk of non-complying, or are experiencing difficulties (such as financial issues) that may impact on their ability to provide education services
- enables targeted follow-up of compliance issues
- allows the department to identify new and emerging compliance risks
- helps the department confirm the compliance profile of Approved Authorities.

For all assurance activities, the department will develop a set risk tolerances that reflect these principles.

Risk tolerances set the baseline for acceptable performance. Whilst a number of the department's assurance activities are conducted using sampling techniques, they allow for extrapolation of the results for the population of Approved Authorities (and their schools), and the assessment of assurance activity outcomes against risk tolerances.

Performance targets set a higher benchmark. Whilst risk tolerances may be met, failure to reach performance targets identifies areas where Approved Authorities compliance can be improved.

The department recognises the importance of maximising the use of available data. If any data captured was found not to be used, the department will review why it is being collected, and either use it, or cease collecting it.

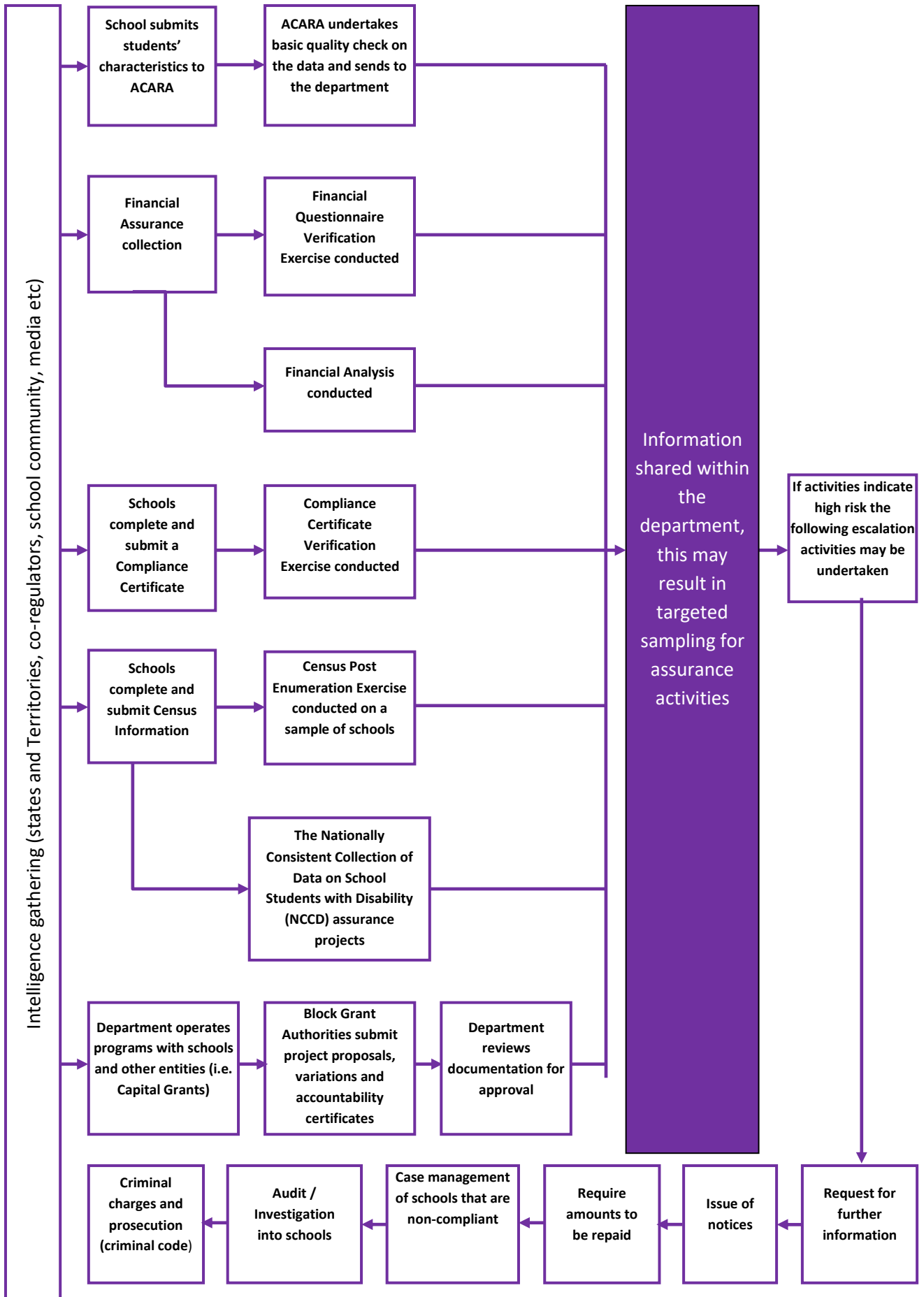
## **Internal information sharing**

One of the great strengths of the department's assurance framework is the co-ordinated sharing of information that occurs between the School and Youth Cluster's groups, branches and teams regarding their respective assurance processes.

This sharing of information:

- helps target schools that have been identified through other assurance and compliance procedures as representing a higher risk of non-compliance. Flags in one assurance process are considered in others where relevant
- helps reduce the compliance burden on those schools that have a strong track of compliance, and therefore represent a low risk of non-compliance.

The key links between processes are illustrated below:



## Co-regulatory environment

The department works closely with other Australian Government agencies and state and territory governments to deal with suspected non-compliance, collusion, fraud or criminal activities. In line with legislative obligations, collaboration with other regulatory bodies include:

School registration with state authorities

- monitoring by states of registration requirements (entry and ongoing)
- exchange of data
- sharing of intelligence and information
- engagement in joint activities
- referrals and sharing of tip-offs
- sharing of compliance outcomes.

**Table 4: Information sharing arrangements between key agencies and the department**

Co-regulatory body	Information sharing
<p><b>The state and territory education departments</b></p>	<ul style="list-style-type: none"> <li>▪ The department recognises the importance of working closely with the state and territory education departments. There is a common objective of ensuring that government funds provided to Approved Authorities (and their schools) are used appropriately for education purposes.</li> <li>▪ The department is committed to pursuing harmonisation opportunities that will reduce the cost of assurance and, through the reduction in duplication of effort, reduce compliance costs for Approved Authorities.</li> <li>▪ The states and territories undertake a number of their own assurance and compliance procedures, including census counts and audits.</li> <li>▪ The department’s assurance framework is enhanced by the sharing of information, particularly where this sharing helps identify non-compliance risk. Information shared may include:                             <ul style="list-style-type: none"> <li>– potential non-compliance by Approved Authorities and schools</li> <li>– potential school financial viability risks</li> <li>– information in relation to school demographics and</li> <li>– other information that may impact school eligibility for Australian Government funding.</li> </ul> </li> </ul>

Co-regulatory body	Information sharing
<p><b>The Australian Charities and Not-for-profits Commission (ACNC)</b></p>	<ul style="list-style-type: none"> <li>▪ Approved Authorities of non-government schools are not-for-profit entities regulated by the ACNC.</li> <li>▪ The ACNC seeks to achieve the following objects: <ul style="list-style-type: none"> <li>– maintain, protect and enhance public trust and confidence in the sector through increased accountability and transparency</li> <li>– support and sustain a robust, vibrant, independent and innovative not-for-profit sector</li> <li>– promote the reduction of unnecessary regulatory obligations on the sector<sup>1</sup>.</li> </ul> </li> <li>▪ Consistent with the <i>Australian Charities and Not-for-profits Commission Act 2012</i>, the ACNC encourages not-for-profit entities to use their resources effectively and to enhance their accountability to donors, beneficiaries and the public.</li> <li>▪ Accordingly, the ACNC plays an important role in the assurance framework, encouraging compliance of non-government schools.</li> <li>▪ To reduce administrative burden on Approved Authorities, the ACNC and the department have worked together to refine financial data collection arrangements so that a single approach will satisfy both the department's and the ACNC's reporting requirements.</li> </ul>
<p><b>Australian Curriculum, Assessment and Reporting Authority (ACARA)</b></p>	<ul style="list-style-type: none"> <li>▪ ACARA is responsible for the ongoing refinement of the Australian Curriculum, national assessment including NAPLAN, and reporting on schooling in Australia.</li> <li>▪ ACARA provides information that assists the department in its assurance of whether educational and performance outcomes are being achieved.</li> <li>▪ ACARA provides data that enables calculation of the funding entitlement of Approved Authorities, including DLBOTE and ICSEA data.</li> </ul>
<p><b>Australian Federal Police (AFP) and other Policing Organisations</b></p>	<ul style="list-style-type: none"> <li>▪ Where possible, the department will always seek to resolve issues of non-compliance without involvement of the AFP.</li> <li>▪ However, where there is evidence that a serious fraud involving Australian Government funding has occurred, in accordance with the Commonwealth Fraud Control Framework, the matter must be referred to the AFP for investigation.</li> <li>▪ This could require the department to provide the AFP with relevant information to enable them to conduct an investigation.</li> </ul>
<p><b>Australian Bureau of Statistics (ABS)</b></p>	<ul style="list-style-type: none"> <li>▪ The ABS maintains information relating to student numbers and student demographics that can be used by the department to check the reasonableness of census data.</li> <li>▪ The department also has an MOU with the ABS to collect and validate the residential address collection to inform the calculation of the direct capacity to contribute measure – a new measure that will be implemented in the recurrent funding model shortly.</li> </ul>

<sup>1</sup> Australian Charities and Not-for-profits Commission website

## Harmonisation

The department has the strategic vision of harmonising Australian Government and state regulatory requirements and data sharing arrangements.

The benefits of harmonisation from an assurance perspective include:

- aiding compliance by lessening regulatory burden and simplifying reporting
- sharing information about schools that might present a higher compliance risk
- sharing information about school practices that might indicate emerging compliance risks and
- reducing the department's compliance activities where states and territories are already undertaking similar assurance and compliance activities, which will allow the department to maximise the assurance it can obtain from available resources.

The department is pursuing a three-stage approach to harmonisation, as follows:

Stage 1 – conduct a pilot project with New South Wales (approximate timeframe: second half of 2019)

Stage 2 – draft the National Harmonisation Plan and obtain approval of the plan from the Education Council (approximate timeframe: first half of 2020) and

Stage 3 – implement National Harmonisation Plan (approximate timeframe: July 2020-July 2021).

## National School Resourcing Board

The National School Resourcing Board (the Board) is an independent body, responsible for reviewing different aspects of the Australian Government's school education funding model. These reviews provide assurance regarding the integrity of the funding model and assess whether the states, territories and other Approved Authorities are compliant with their obligations under the Act.

The reviews that the Board are currently undertaking or have undertaken to date are:

- a review of the socio-economic status score methodology
- a review of the loading for students with disability and
- a review of needs-based funding review arrangements.

Where the Board makes review recommendations that have an impact on assurance and compliance activities, which are supported by the Australian Government, the department will look to incorporate these where required in the Assurance Framework.

## Departmental Accountability – Schools Assurance Committee

The department will establish a Schools Assurance Committee (the Committee) within the Schools and Youth Cluster to oversee the effective management and implementation of the activities outlined in this assurance framework.

The Committee will be responsible for:

- providing strategic advice to the Schools and Youth Cluster Executive on current assurance processes and future issues under the Act and Regulation;
- overseeing cluster-wide, coordinated assurance activities and programs; and
- fostering collaboration across the cluster on key assurance and compliance priorities.

#### **Review of the assurance framework**

The Committee will review the assurance framework and the Forward Work Plan and report to the Funding and Data Collection Group Manager on its outcomes annually.

This review ensures that the assurance framework remains appropriate to manage the risks associated with the Australian Government funding of Approved Authorities (and their schools), it is an imperative that it is a live document. Where necessary, the Committee will undertake additional reviews when there are changes in respect of legislation, compliance risks, compliance activities, compliance profiles, the co-regulatory environment and the school education landscape.

#### **Further information**

It is important that the assurance framework be linked with other key strategic documents of the department. These include, but may not be limited to:

Risk Management Framework and Policy

Risk Appetite and Tolerance Statement

Fraud Risk Assessment 2018-20



## Appendix A: Key assurance activities

### Financial Questionnaire Verification Process

#### Current process

The Financial Questionnaire Verification Exercise (“FQVE”) is an activity related to the financial questionnaire. The financial questionnaire is a standard reporting template that is completed by all schools, and includes income, expenditure, asset and liability data for the school.

#### What is the purpose of the assurance activity?

This purpose of the FQVE is to provide assurance that financial questionnaire data is accurate and that the financial information from the schools map back to the Chart of Accounts.

#### How is the assurance activity conducted?

Each year 100 schools are randomly selected for the FQVE, to assess whether they have completed the financial questionnaire accurately. In addition, schools are also targeted if they are considered to represent a high risk of error, which may be the result of department concerns with responses to the previous year’s questionnaire. This usually results in approximately 20 further schools being added, and a total of approximately 120 schools participating in the FQVE.

#### Outcomes of the assurance activity

The error rates detected through the FQVE have indicated that a number of schools (up to 40%) have errors in their FQ data. However, the errors are usually not material and do not raise concerns of recurrent funding being expended inappropriately. Often errors relate to the school incorrectly classifying income or expenditure items in the financial questionnaire, using the incorrect reporting period, or incorrectly netting figures where separate income and expenditure amounts are required to be disclosed<sup>2</sup>. More serious errors that indicate potential non-compliance with the Act are rare.

### Financial Audit Checking and Financial Viability Assessments of Schools

#### Current process

The Department obtains the audited financial statements for all non-government schools. Audited financial statements are required to be submitted when the schools complete the Financial Questionnaire. The Department reviews the audited financial statements for compliance and financial viability indicators. The process is conducted annually for all schools.

#### What is the purpose of the assurance activities?

The purpose of review of audited financial statements is to provide a level of assurance that the schools are complying with the Education Act and Regulation, and that the schools are financially viable, that is, to assess whether the schools are at risk of insolvency or potentially experiencing financial stress.

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<sup>2</sup> Department of Education and Training website – Common Errors in the Financial Questionnaire, March 2018

### **How are the assurance activities conducted?**

Financial Audit Checking is an annual process, where all non-government schools audited financial statements are reviewed by members of the Department to assess whether schools are complying with the Education Act and Regulation in the following areas: that the school is a body corporate or political body, the school is not for profit, the school is financially viable and the people operating the school are fit and proper. The schools are rated against the areas as high, medium or low and if a school is rated as high, further action is undertaken by the Department.

The Financial Viability Assessment is an annual two stage process which initially involves a basic review of all non-government schools financial information. If any issues concerning the financial viability are identified during the initial basic review, a more thorough examination of the financial position and performance of the school is conducted by the Department.

### **Outcomes of the assurance activity**

The Financial Audit Checking assurance activity provides, an assessment of whether the schools are complying with key areas of the Education Act and Regulation, and an annual compliance rating of schools compliance, which can be used as part of the overall compliance assessment of a school.

The Financial Viability Assessment provides information on the financial position and performance of the schools. This assessment can then be used to determine whether further support is required to be provided to the schools and can be use as part of the overall compliance assessment of a school.

## **Compliance Certification**

### **Current process**

All Approved Authorities are required to complete a Compliance Certificate at the end of each calendar year and submit it to the Department. This includes Approved Authorities representing one non-government school, Approved Authorities representing multiple non-government schools, and the eight state and territory education departments representing government schools. The Approved Authority makes a declaration that it has complied with policy requirements set out in section 77 of the Act and sections 41, 42, 43, 56(f), 59 and 60 of the Regulation.

### **What is the purpose of the assurance activity?**

The purpose of the Compliance Certification activity is to provide a level of assurance that the Approved Authorities are complying with the Education Act and with the requirements of the nationally agreed policy objectives.

### **How is the assurance activity conducted?**

Approved Authorities are required to complete a Compliance Certificate declaring whether the schools comply with the Education Act and the nationally agreed policy objectives and submit the Compliance Certificate to the Department. Whilst this is a self-reporting exercise, there is a requirement for both the school and an accountant to certify that the information reported is correct.

### **Outcomes of the assurance activity**

Information from the compliance certification process is used to provide insights into the compliance profiles of the Approved Authorities.

## **Compliance Certification Verification Exercise**

### **Current process**

The Compliance Certification Verification Exercise (“CCVE”) is an activity related to the Compliance Certification process and is used to verify the information provided through the Compliance Certification process.

### **What is the purpose of the assurance activity?**

The purpose of the CCVE is to confirm that the information provided through the Compliance Certification process is accurate, complete and reliable.

### **How is the assurance activity conducted?**

The Department selects a random sample of 68 Approved Authorities from the population of non-government Approved Authorities, and requests that they provide documentation to support the declarations made in their Compliance Certificate.

In addition, if there are negative responses to any of the questions in the Compliance Certificate, the Department obtains an explanation and further information from the Approved Authority as to why there was a negative response. The explanations and further information is reviewed by the Department and used to assess whether the responses are reasonable, or whether any further investigation is required to be undertaken (such as an audit).

### **Outcomes of the assurance activity**

For the verification exercise conducted in 2017 (2016 school year), all 68 Approved Authorities were able to demonstrate that they were compliant with the requirements.

In addition, it is noted that for the 39 Approved Authorities that indicated non-compliance in the certification certificate, the Department reviewed the reasons for non-compliance and in all cases was satisfied that this was reasonable and no further action was required.

## **Qualified Accountants Review**

### **Current process**

Each year, all schools are required to respond to a questionnaire in relation to the school’s compliance with the national agreed policy objectives. There is a requirement for a qualified accountant (as defined with Education Act Regulation), to sign the questionnaire, and certify that the funding allocated to the schools has been spent correctly and in accordance with the Act and Regulation. The Qualified Accountants Review verifies the professional status and credentials of the accountants providing the sign-off.

**What is the purpose of the assurance activity?**

The purpose of the annual Qualified Accountants Review activity is for the Department to assess whether the qualified accountants providing the certification have the appropriate qualifications in accordance with the Education Act Regulation to perform this function.

**How is the assurance activity conducted?**

Each year a sample of 60 accountants who have provided financial accountability certifications for schools, have their professional status and credentials examined by the Department. This involves the Department obtaining information from industry bodies (e.g. CPA Australia, Chartered Accountants Australia and New Zealand), and Government Regulatory Authorities (e.g. Australian Securities and Investments Commission) to assess whether the accountants have the applicable accounting qualifications in accordance with the Education Act Regulation.

**Outcomes of the assurance activity**

The results of the activity conducted over recent years show that the credentials of the accountants is able to be established, and that appropriately qualified accountants are providing the certifications.

## **CENSUS POST ENUMERATION EXERCISE**

**Current process**

The census post enumeration (“PE”) exercise for non-government schools is related to the annual non-government school census counts. The Census PE verifies that the information provided within a school’s census return is accurate, complete and reliable.

**What is the purpose of the assurance activity?**

The purpose of the Census PE is to validate whether the census information provided by schools is accurate, complete and reliable, and to ensure that the census count process has integrity.

The Census PE is also the way the department measures the accuracy of recurrent funding payments, with the outcomes reported to the Australian National Audit Office.

**How is the assurance activity conducted?**

The department engages contractors to attend approximately 200 non-government schools<sup>3</sup>, to verify the accuracy, completeness and reliability of school’s census return, using a nationally consistent approach. The contractors recommend adjustments to census returns as required, which are then assessed by the department before being used as an input into the school’s funding calculation.

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<sup>3</sup> The selection of the schools comes from a simple random sample from the population of schools and schools that are targeted based on intelligence held by the Department.

**Outcomes of the assurance activity**

The information provided from the Census PE is used to verify the annual non-government school census. The error rate from the past three Census PEs is high with up to 67% of schools found to have reported errors of some type in their census data, and up to 45% reporting errors that affected recurrent funding entitlements. However, when extrapolating the payment affecting errors of randomly selected schools in a national context, this equates to around 0.2% of non-government schools recurrent funding, so falls within an acceptable tolerances level.

Reports are prepared for all schools detailing the outcome of the Census PE process so that schools can use the experience of the Census PE to improve its administrative and reporting practices.