Parliamentary Committees

Early childhood education:

Implementation of the recommendations in the Auditor-General's Report 19: 2015-16

Report No. 30, 55th Parliament

Education, Tourism, Innovation and Small Business Committee

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Abbreviations

ACECQA	Australian Children's Education & Care Quality Authority
committee	Education, Tourism, Innovation and Small Business Committee
the department	Department of Education and Training
KPP	Kindergarten program providers
NPA	National Partnership Agreement
QAO	Queensland Audit Office
Report	Auditor-General's Report 19: 2015-16 *Early childhood education*
QKFS	Queensland Kindergarten Funding Scheme

Chair's foreword

This report presents a summary of the Education, Tourism, Innovation and Small Business Committee's examination of the Auditor-General's Report 19: 2015-16 *Early childhood education*.

On behalf of the committee, I thank the Auditor-General and the staff of the Queensland Audit Office, and the Department of Education and Training for their assistance.

I commend this report to the House.

Scott Stewart MP

Chair

1. Introduction

1.1 Role of the committee

The Education, Tourism, Innovation and Small Business Committee (committee) is a portfolio committee of the Legislative Assembly which commenced on 27 March 2015 under the *Parliament of Queensland Act 2001* and the Standing Rules and Orders of the Legislative Assembly.[1] The committee consists of three government and three non-government members.

A portfolio committee's responsibilities include assessment of the integrity, economy, efficiency and effectiveness of government financial management. In this role, a committee may examine government financial documents, and consider the annual and other reports of the Auditor-General.[2]

1.2 Role of the Auditor-General and Queensland Audit Office

The Auditor-General is an independent statutory officer appointed under the *Auditor-General Act 2009.* The Auditor-General is supported by the Queensland Audit Office (QAO).[3] The Auditor-General undertakes financial audits and performance audits of public sector entities and must report to the Legislative Assembly on each audit undertaken.[4]

1.3 Referral and committee's examination

The Auditor-General's Report 19: 2015-16 *Early childhood education* (the Report) was tabled in the Legislative Assembly on 7 June 2016 and was referred to the committee for consideration under Standing Order 194B. The committee decided to examine the Department of Education and Training's (the department) implementation of the Report's recommendations.

The committee held a public briefing from the department on 15 February 2017. The following officers from the department appeared at the public briefing:

- Dr Jim Watterston, Director-General
- Ms Jenny Shaw, Executive Director, Early Childhood and Community Engagement, and
- Mr Mark Kane, Director, Early Childhood and Community Engagement.

A copy of the transcript of the public briefing can found on the committee's website.

1.4 Audit objective

The Report stated the objective of the audit was to determine if the Queensland Kindergarten Funding Scheme (QKFS) supports universal access to quality kindergarten services for eligible children. The audit addressed this objective through the following sub-objectives:

- QKFS assists in removing barriers to universal access to quality kindergarten programs, and
- the department effectively manages and monitors kindergarten program provider compliance with QKFS guidelines.[5]

The entities subject to the audit included the department, two central governing bodies[6] and 18 kindergarten providers (nine long day care services and nine kindergarten service providers).[7]

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1 *Parliament of Queensland Act 2001*, section 88 and Standing Order 194.

2 *Parliament of Queensland Act 2001, section 94*

3 *Auditor-General Act 2009,* sections 6, and 9.

4 *Auditor-General Act 2009,* section 60.

5 Auditor-General's Report 19: 2015-16 *Early childhood education*, p 15.

6 There are five central governing bodies approved to provide kindergarten services: Crèche and Kindergarten Association Ltd; Independent Schools Queensland; lady Gowrie (Qld) Inc; Queensland Catholic Education Commission; and Queensland Lutheran Early Childhood Services. See p 13 of the Auditor-General's report

7 Auditor-General's Report 19: 2015-16 *Early childhood education*, p 15.

2. Consideration of the Report – *Early childhood education*

2.1 Background [8]

The National Partnership Agreement on Early Childhood Education (NPA) was agreed to by the Australian, state and territory governments in February 2009. The desired outcomes of the NPA are:

- all children to have access to affordable, quality early childhood education in the year before formal schooling, and
- all Indigenous four year olds in remote Indigenous communities will have access to a quality early childhood education program.

Queensland received $388 million in NPA funding between 2009-10 and 2014-15, and the department is responsible for implementing the program in Queensland. The department has to reduce the barriers to access by:

- making sure there are enough kindergartens across the state in the right locations, and
- encouraging families to access at least 600 hours per year of kindergarten, and
- reducing the cost.

The department identified two strategies to achieve universal access to quality kindergarten programs:

- build additional kindergartens across the state to ensure enough available places, and
- pay subsidies to approved kindergarten program providers (KPPs) to reduce the costs of delivering an approved kindergarten program.

The building program has been completed. The subsidies paid through the QKFS are ongoing.

2.2 Auditor-General's findings and recommendations

2.2.1 Findings

The Auditor-General concluded the department has met the objectives of the NPA by increasing access to approved early childhood education programs in Queensland, 'generally making kindergarten programs available where they are needed and at an acceptable price'. [9] In particular, the Report noted:

- the 2015 Queensland kindergarten participation rate for four year olds (96.4 per cent of all Queensland four year olds) exceeds national targets (95 per cent) and was 2.7 times more than the 2010 participation rate[10]
- the proportion of Indigenous four year olds enrolled in kindergarten increased 3.3 times between 2010 and 2015 to 77.8 per cent but did not reach the national target of 95 per cent[11]
- the increase in supply was largely market led which has meant that the department did not have to build as many kindergartens as planned,[12] and
- government subsidies ($140.9 million in 2015) are helping to reduce fees and so make kindergarten accessible and more affordable.[13]

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8 Compiled from Auditor-General's Report 19: 2015-16 *Early childhood education*, p 1 and p 24.

9 Auditor-General's Report 19: 2015-16 *Early childhood education*, p 24.

10 Auditor-General's Report 19: 2015-16 *Early childhood education*, p 3 and p 23.

11 Auditor-General's Report 19: 2015-16 *Early childhood education*, p 4 and p 23.

12 Auditor-General's Report 19: 2015-16 *Early childhood education*, p 2.

13 Auditor-General's Report 19: 2015-16 *Early childhood education*, pp 2-3.

A number of issues were identified by the Auditor-General, including:

- while all 18 centres visited were delivering an approved learning program there was a wide variation in the settings and type of activities for the children and the amount of time spent on each and there is no research or publicly available guidance to inform the delivery of the 600 hours per year of kindergarten[14]
- the department could manage the subsidy payments to KPPs under the QKFS more efficiently and effectively[15]
- some centres were not passing on the subsidy to parents correctly - potential fraud greater than $500 is required to be reported and investigated under the department's Fraud and Corruption Control Framework however the service review framework does not outline how to apply the department's Fraud and Corruption Control Framework,[16] and
- monitoring service providers' compliance solely through site visits is expensive and time consuming and could be more efficient - the QAO's desktop audit identified 151 approved KPPs that potentially received overpayments due to claims for 315 ineligible three year olds.[17]

2.2.2 Recommendations

The Report made four recommendations, that the department:

1. provides evidence-based guidance in line with the National Quality Standard to approved kindergarten program providers on the experiences and activities that form part of an approved kindergarten program to help children successfully transition to school
2. uses a broad range of internally and externally available data sources to inform the risk-based selection of kindergarten program providers to review
3. supplements its existing service review framework to include:
   - desktop reviews of subsidy claims to improve coverage of its compliance program
   - clear guidance to the review officers on how to apply the department's Fraud and Corruption Control Framework, and
   - requests an annual assurance statement from the central governing bodies that their individual kindergarten services comply with the QKFS guidelines.[18]

2.3 Implementation of the Auditor-General's recommendations

The Report advised that in accordance with section 64 of the *Auditor-General Act 2009*, a copy of the Report was provided to the department with a request for comment prior to it being published.[19] On 27 May 2016, the Director-General of the department responded that the four recommendations would be accepted and the department would work to implement them as soon as possible.[20]

The committee invited the department to the public briefing held on 15 February 2017 to provide an update on progress in implementing the recommendations from the Report and to respond to a number of issues raised by the committee.

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14 Auditor-General's Report 19: 2015-16 *Early childhood education*, p 5 and p 17.

15 Auditor-General's Report 19: 2015-16 *Early childhood education*, p 29.

16 Auditor-General's Report 19: 2015-16 *Early childhood education*, p 5 and p 29.

17 Auditor-General's Report 19: 2015-16 *Early childhood education*, p 6 and p 27.

18 Auditor-General's Report 19: 2015-16 *Early childhood education*, p 7.

19 Auditor-General's Report 19: 2015-16 *Early childhood education*, p 40.

20 Auditor-General's Report 19: 2015-16 *Early childhood education*, p 41.

By way of introduction, the department advised the committee:

- 148 additional kindergarten services had been established across Queensland since 2010
- in 2012 Queensland pioneered the introduction of eKindy through the Brisbane School of Distance Education to 'ensure children in rural and remote areas did not miss out'
- in 2016 a remote kindergarten pilot was commenced in 11 state schools – it was expanded in 2017 with 36 schools now participating and approximately 100 children involved, and
- in 2016 funding from the Disability Inclusion Support for Queensland Kindergartens supported 733 children with a disability to be included in kindergarten programs. [21]

The department provided the following advice to the committee on progress in implementing the four recommendations made by the Auditor-General:

> <u>Recommendation 1</u>
>
> *The development of this evidence-based guidance will enhance the many resources also already developed by the department… to support services to improve quality. These resources have been well received by the sector. With the support of the Australian government and all states and territories, Queensland has been able to negotiate to include the development of guidance materials as part of the ACECQA* [Australian Children's Education & Care Quality Authority] *letter of expectation. This letter of expectation outlines the key priorities informing the development of ACECQA's work plan until 2018.*[22]
>
> <u>Recommendation 2</u>
>
> *The department met with the QAO to get a better understanding about the range of additional information and data services available externally. The QAO has suggested we approach the Australian government to ascertain whether relevant child-care rebate and child-care benefit information can be disclosed to the department. However, due to privacy legislation and information-sharing protocols, it may be difficult to exchange this information at the present time.*[23]
>
> <u>Recommendation 3</u>
>
> *The department already conducts desktop analysis as part of its risk based methodology in identifying and selecting long day care services for review. The department will formalise the conduct of desktop reviews as a separate function in addition to the continued critical role of service visits. This desktop review function will assist to identify and prioritise services for review and strengthen the rolling program of service visits as a critical part of the service review program.*
>
> *The department has also amended the service review framework to incorporate the Department of Education and Training's Fraud and Corruption Control Framework and has commenced discussions with the Queensland Police Service on the process for referring instances of suspected fraud for investigation. This aspect of the recommendation will take time to implement given the need for the department to finalise its processes for the referral of suspected fraud to the Queensland Police Service. The process needs to be communicated sensitively to the sector. The department is also seeking to arrange fraud control training for officers involved in the service review program in addition to seeking guidance from within the department. The challenge is to secure appropriate training relevant to the program.*[24]

[21] Public briefing transcript, 15 February 2017, p 2 and p 9.

[22] Public briefing transcript, 15 February 2017, p 4.

[23] Public briefing transcript, 15 February 2017, p 4.

[24] Public briefing transcript, 15 February 2017, p 4.

Recommendation 4

Central governing bodies are an important partner in supporting the kindergarten sector and include the Crèche and Kindergarten Association Ltd, The Gowrie, Independent Schools Queensland, the Queensland Catholic Education Commission and the Queensland Lutheran Early Childhood Services. While the department already requires each central governing body to provide an assurance statement, we have amended the existing statement to include the reference to compliance by member services with the Queensland Kindergarten Funding Scheme requirements. This change was introduced on 1 January 2017.[25]

2.4 Strategies to address other issues raised in the Report

The department responded to a number of specific questions from the committee about other issues raised in the Report.

Indigenous participation rate

The committee sought advice on what process had been put in place to improve the indigenous participation rate. The department advised that this is a key priority and over the past few years the department has worked very hard to encourage Indigenous families to enrol their children in early childhood education and care services and that a range of universal and targeted programs and services have increased participation rates from 25.5 per cent in 2008 to 85.6 per cent in 2015.[26]

Key to building on the gains that we have made to date will obviously involve ensuring that the integrated service approach continues to support families and children. We need to continually work together to provide effective transitions for children and families across the critical eight years, as well as working with service educators to deliver quality programs where families are welcomed and respected. It is also essential to recognise and build on local leadership and capacity that will result in strengths based responses to our local needs in our communities. This will provide more tailored programs that support families that experience vulnerability and disadvantage.[27]

The department advised that it remains committed to reaching the 95 per cent target through a range of initiatives including:

- Ready Together: Remote Early Years Transitions
- Pre-Prep
- Children and Family Centres
- Deadly Kindies
- Remote Kindergarten Pilot
- Remote Indigenous professional Development Project
- Aboriginal and Torres Strait islander early childhood transport solution
- QKFS, and
- the Aboriginal and Torres Strait Islander early education cross-agency working group.[28]

Monitoring service provider compliance

The committee sought advice on how the department monitors service providers' compliance with the requirement to deliver an approved kindergarten learning program for 15 hours per week (600 hours per year).

[25] Public briefing transcript, 15 February 2017, p 5.

[26] Public briefing transcript, 15 February 2017, p 5.

[27] Public briefing transcript, 15 February 2017, p 5.

[28] Public briefing transcript, 15 February 2017, pp 5-6.

The department advised it funds long day care services directly, based on actual enrolments submitted each quarter, whereas the sessional kindergartens are funded via their central governing body based on forecast enrolments at the start of each semester and they are reconciled against actual enrolments at the end of each semester:

> *In terms of long day care services, the challenge for the department is how best to ensure compliance with the QKFS funding requirements that is cost effective, given the large number of approved services and the diverse nature of the market.*[29]

The department advised it operates a service review program to monitor compliance with the QKFS funding requirements, which includes compliance with the 15 hours a week or 600 hours a year as part of the eligibility criteria to receive funding. This program includes:

- site visits to long day care services to ensure compliance
- visits to the head offices of some of the very big providers such as Goodstart, Affinity and G8
- provision of information sessions for the sector
- examination of enrolment and attendance records over a number of quarters, and
- initiating follow-up with service staff and the approved providers as required.[30]

The department also advised that where a child has not received the required 15 hours a week, the amount of the overpayment is calculated and deducted from the service's next quarterly payment.[31]

The service review program does not include sessional kindergartens as the department funds its central governing bodies to manage and support their member services. The department advised:

> *Obviously it is a key role for our central governing bodies to ensure that each of those kindergarten services complies with our funding requirements and we, obviously, provide funding to ensure that they are able to do that.*[32]

<u>Ensuring centres pass on the QKFS subsidy appropriately</u>

The committee sought advice on the department's approach to ensuring centres pass on the QKFS subsidies correctly. The department advised there are four subsidies that are provided for different purposes, including:

- standard per child subsidy which is retained by the service as a contribution towards costs
- QKFS Plus subsidy that is to be passed on to eligible families to reduce out-of-pocket expenses
- remote area subsidy to attract and retain qualified early childhood teachers, and
- a low socioeconomic subsidy which is paid to the service to reduce out-of-pocket expenses for all families with eligible children enrolled in the kindergarten program.[33]

The department advised that the application of the subsidies is checked by service officers when they visit and:

> *Service visits to long day care services have identified instances where the different types of subsidies are effectively pooled by the service and applied to offset the cost of delivering the program, rather than separately applying the different subsidies strictly for their intended*

[29] Public briefing transcript, 15 February 2017, p 6.

[30] Public briefing transcript, 15 February 2017, pp 6-7.

[31] Public briefing transcript, 15 February 2017, p 7.

[32] Public briefing transcript, 15 February 2017, p 7.

[33] Public briefing transcript, 15 February 2017, p 7.

purpose. This practice is contrary to our funding guidelines, which stipulate that the purpose and the use of each subsidy needs to be applied appropriately.[34]

The department advised that the service review program has identified improvements in the use and application of the QKFS Plus subsidy and the correct use and application of the remote area subsidy. The low socioeconomic subsidy remains the focus of current service visits where the service review team provides information and advice to services and workshops examples as part of information sessions to reinforce compliance.[35]

Breakdown of early education participation rates by region

The committee asked the department to provide a breakdown of early education participation rates by region. The department advised that participation rates are strongest in the south-east corner at 110 per cent overall. Other regions range from 94.7 per cent in central to 97.3 per cent in far north. It also advised that the early childhood education and care report on key indicators for 2015-16 includes the most recent participation data from the Australian Bureau of Statistics.[36]

The number of compliance reviews and desktop audits

The committee also asked the department to provide the number of compliance reviews and desk-top audits of kindergarten program providers undertaken by the department. It advised that in 2016 it conducted 199 service reviews and that the service review program has always applied a service selection methodology to determine services for review:

> *The selection methodology applies a ranking against a range of key criteria that identify services for selection. The ranking score is then converted into a risk score and the methodology for this was reviewed by the Queensland Audit Office as part of the audit. Currently, the service review program is further maturing this approach by developing a comprehensive risk tool to support service selection as recommended by the QAO. The department is also developing a process to support the conduct of desktop audits, in addition to continued service reviews. The department will use the desktop audit process, as recommended by the QAO, to assist with the identification and selection of services for review and possible site visit. The department is about to roll out the next round of service visits and plans to visit 235 long day care services during 2017, based on the target rate of 18 per cent of funded services.*[37]

The department advised that its compliance review goal is to reach 18 per cent of services in 2017.[38]

2.5 Committee comment

The committee was satisfied that the Department of Education and Training has either effectively implemented the recommendations made by the Auditor-General, or is in the process of implementing them as well as addressing other issues raised in the Auditor-General's Report 19: 2015-16 *Early childhood education*.

Recommendation 1

The committee recommends that the Legislative Assembly note this report.

[34] Public briefing transcript, 15 February 2017, p 7.

[35] Public briefing transcript, 15 February 2017, p 7.

[36] Public briefing transcript, 15 February 2017, p 7.

[37] Public briefing transcript, 15 February 2017, pp 7-8.

[38] Public briefing transcript, 15 February 2017, p 10.