Follow-up of *Oversight of recurrent grants to non-state schools*  
Report 15: 2018–19
26 March 2019

The Honourable C Pitt MP
Speaker of the Legislative Assembly
Parliament House
BRISBANE QLD 4000

Dear Speaker

Report to parliament

This report is prepared under Part 3 Division 3 of the Auditor-General Act 2009, and is titled Follow-up of Oversight of recurrent grants to non-state schools (Report 15: 2018–19).

In accordance with s.67 of the Act, would you please arrange for the report to be tabled in the Legislative Assembly.

Yours sincerely

Brendan Worrall
Auditor-General
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Audit objective and scope

In this follow-up audit, we examined whether the Non-State Schools Accreditation Board and the Department of Education have effectively implemented the recommendations we made in *Oversight of recurrent grants to non-state schools* (Report 12: 2014–15). We also assessed whether the actions taken have addressed the underlying issues that led to our recommendations in that report.

Appendix B contains more information about our audit objectives and method.

Reference to comments

In accordance with s. 64 of the *Auditor-General Act 2009*, we provided a copy of this report to the Non-State Schools Accreditation Board and the Department of Education. In reaching our conclusions, we considered their views and represented them to the extent we deemed relevant and warranted. Any formal responses from the entities are at Appendix A.
Key facts

In 2018, the Queensland Government recurrent grant for non-state schools was $662 million.

In 2018, there were over 266,000 students enrolled at Queensland non-state schools.

There are more than 150 governing bodies in the Queensland non-state school sector. They operate over 500 schools independently of the Department of Education.

The Department of Education, on behalf of the state government, is responsible for allocating the non-state schools recurrent grant.

The Non-State Schools Accreditation Board is responsible for providing accurate enrolment figures to the Department of Education and Minister for Education.
Introduction

The non-state schooling sector is an important part of the state’s education system, representing diverse educational philosophies and religious and other organisational affiliations. In Queensland, there are over 266,000 students enrolled at about 500 non-state schools. The state provides a recurrent grant of more than $600 million annually to governing bodies to operate non-state schools.

The Non-State Schools Accreditation Board (the board) was established in 2001. It accredits non-state schools and decides if they are eligible for government funding. It conducts an annual school enrolment survey of every non-state school to guide the distribution of the grant by the Department of Education (the department). The board tests the accuracy of the enrolment data it gives to the department by conducting an annual audit of a sample of schools. It is supported by a secretariat, which is staffed by officers from the department.

The department administers the grant on behalf of the state government. It pays the grant to the governing bodies based on the number of enrolled eligible students (from the information collected by the board). Figure A shows the steps the board and department take to calculate and pay the grant to non-state schools.

Figure A
The steps the board and the department take to calculate and pay the grant to non-state schools

Source: Queensland Audit Office.
Background

Each non-state school’s grant is based on enrolment numbers, as collected by the board in its annual census. The Department of Education (the department) pays each non-state school the grant on behalf of the Minister for Education.

The governing body of a non-state school may use the grant for teaching and general staff salaries, professional development, and curriculum development and implementation. It can also use it to maintain the school’s land and buildings and pay the general operating expenses of the school. It must not use it for the purchase of land or buildings.

The board

The board regulates non-state schools against the Education (Accreditation of Non-State Schools) Act 2017. It conducts five-yearly cyclical reviews of each non-state school, which include reviews of each school’s financial sustainability and administration oversight.

Each year, the board conducts a census of enrolment information from non-state school governing bodies. The schools count their enrolments as at the last Friday of February each year (‘Census Day’). Student attendance is the key criteria the board uses to assess the eligibility of students on the census. Full-time students must attend school for at least 11 days before the last Friday in February. However, the school can include the student in the census if the reason for their non-attendance was beyond the control of the student’s parent or guardian. They can also include a student who is living independently, if the reason for the student’s absence was beyond their control.

The census form collects information on site details (for example, the number of campuses and year levels offered) and data on the number of:

- overseas students
- full-time and part-time students
- English as a second language students requiring assistance
- Indigenous students
- students with disability
- students from isolated zones
- boarding students and boarding fee concessions.

Following the census, the board conducts an annual verification process at a sample of non-state schools. People authorised by the board verify the enrolment data and comment on the reliability of:

- enrolment and admission procedures
- attendance records and processes
- documentation of reasons and authority for prolonged absences if the student has not attended school for the minimum 11 days.

The board provides a statement of assurance to the department that the grant processes are working efficiently, effectively, and economically.
The department

The department, on behalf of the state government, calculates the grant each school is eligible to receive and administers the payment to the governing bodies. It uses the data from the census and the State Recurrent Grant Model (a model approved by cabinet, specifically for the non-state school grant) to calculate the grant allocation for each non-state school. The grant has two components: a base-level component (60 per cent) and a needs-based component (40 per cent).

Schools and students with greater needs receive higher grants through the needs-based component. The department calculates the needs-based component based on the following characteristics:

- schools—Resource Index (level of private income), Socio-Economic Status, and isolation
- students—number of students with a disability, students requiring English as a second language support, students identifying as Aboriginal or Torres Strait Islander, students from isolated areas and students who receive boarding fee concessions.

The department works collaboratively with the board to choose the schools to be audited and conducts a validation process of the school survey data that supports the board’s validation processes. It also investigates instances of over-payment and seeks to recover the grants where appropriate.


In *Oversight of recurrent grants for non-state schools* (Report 12: 2014–2015), we examined the effectiveness of the recurrent grant funding, payment, and acquittal process against the requirements of the Queensland Government’s *Financial Accountability Handbook*.

The original audit objective was to establish if there was a systemic weakness in controls established by the Non-State Schools Accreditation Board and Department of Education in the recurrent grant paid to non-state schools. This was as a result of an incident of fraud where one non-state school made over $8 million of ineligible claims against Commonwealth and state grants.

We concluded

Some non-state schools claimed the grant for students who were not eligible because they submitted incorrect surveys to the board by mistake (error) or intentionally (fraud). The department overpaid grants to these schools above their entitlement.

The board did not meet its obligation to properly audit the school survey (census) data. There was no determination of the level of assurance required, including of the auditing standards and skills needed to provide assurance at an industry standard level.

This resulted in the department paying grants to non-state schools based on unreliable estimates of student numbers. Additionally, the department did not seek assurances from the board as to the accuracy and reliability of the data.
We found

The board and the department did not have appropriate governance in place to effectively administer the recurrent grant in line with the *Financial Accountability Handbook*. Key findings supporting this were:

- there were no grant agreements in place with non-state schools, reducing the department’s ability to recoup overpayments
- there was unclear guidance on how to determine student eligibility
- unqualified contractors were conducting audits that were not in line with Australian auditing standards
- schools tested in the audit demonstrated student overcounts of an average of seven per cent
- we conservatively estimated misallocations of grants in 2014 to be $1.5 million
- the department was not seeking an assurance from the board on the accuracy of student numbers
- security was weak for the student databases at the schools we tested.

We recommended

In the original audit, we recommended that the board improve the instructions for the annual census to make it clearer for schools to determine whether a student was eligible. We also recommended that it improve the way it verified the census numbers to identify errors and fraud. The board agreed to both recommendations.

We recommended that the department seek a formal assurance from the board on the controls in place to reduce errors and the risk of fraud. The department agreed to the recommendation.

2018 follow-up audit

The entities subject to the follow-up audit are the Non-State Schools Accreditation Board, the Department of Education, and a risk-based selection of 10 non-state schools. We used a larger sample than the four in the original audit to achieve a larger representation of the non-state sector and assess the impact of our recommendations on a wider population.
Summary of audit findings

Progress made

We found that the board and the department have fully implemented our recommendations from *Oversight of recurrent grants to non-state schools* (Report 12: 2014–2015). Figure B provides an overview of the progress they have made.

**Figure B**
Progress made by the board and department in implementing the recommendations

<table>
<thead>
<tr>
<th>Recommendation</th>
<th>Actions taken</th>
<th>Status</th>
</tr>
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</table>
| The board                                                                     | provides clearer guidance (including examples) to non-state schools to ensure the student census is completed consistently, and to maintain appropriate records. | ➢ improved instructions  
➢ produced examples (vodcasts and vignettes) with greater detail and explanation  
➢ provided access to support from the board secretariat  
➢ conducted ongoing review and improvements | Fully implemented       |
|                                                                               | implements a more robust, risk-based audit verification framework to improve the level of assurance it obtains of the accuracy of the school survey. | ➢ developed a risk-based assessment framework  
➢ developed an auditing manual and program  
➢ implemented an annual internal review of the census and the associated enrolment verification program  
➢ engaged with qualified auditors | Fully implemented       |
| The department                                                                | establishes appropriate ongoing assurance mechanisms between itself and the board about the operational effectiveness of the controls and processes the board has in place over the accuracy of the student numbers at non-state schools. | ➢ established requirements for annual reporting and assurance statements from the board. | Fully implemented       |

*Source: Queensland Audit Office.*

Further details about the actions taken to address the recommendations are included in the following pages.
Oversight of the grants

Guidance on the census

The board has improved the instructions for how non-state schools are to complete the annual enrolment census. They are now clearer and make it easier for school staff to decide if students are eligible for the grant, reducing the risk that schools could mistakenly claim for students who don’t meet the eligibility criteria.

The board has also updated the record-keeping requirements in the instructions. The instructions require schools to maintain complete and accurate records of the claims for five years. From 2017, the board and the department have been able to access complete documentation should they need to investigate any potential overpayments made to schools. This has made it easier for the department to recover any overpayments.

Audit verification framework

The board has developed, applied, and is continuously reviewing its audit framework to verify the annual census. It has worked with professional auditors to develop a rigorous audit program and risk assessment tool. It is also using a risk-based approach to select the sample of schools audited annually. The level of compliance with the census criteria has improved and the number of ineligible students claimed by schools has reduced.

Our sample of 10 schools included two schools audited by the board’s authorised auditors in 2018. We found the number of eligible students we verified through our audit matched the number of eligible students the board’s auditors verified.

Data security risk

In the original audit, we observed a trend for schools to use electronic rolls to record student attendance. This trend has continued, and all 10 schools we visited in the follow-up audit were either using electronic rolls to record attendance or planning to have them in place for the 2019 school year.

None of the 10 schools we audited for this follow-up audit had strong controls to monitor changes to the data. All the databases we tested were open to manipulation or amendments to student attendance.

The board will need to further understand how many schools use electronic rolls and the level of data security that schools are applying to ensure the integrity of their data.

Assurance mechanisms

The department has increased its assurance requirements on the accuracy of the enrolment information it receives from the board. It now receives comprehensive information about the controls the board has put in place to reduce the risk of error and fraud in the census. This provides the department with a good level of assurance that the grant payments are accurate.

In 2016, the government amended the *Education (General Provisions) Act 2006* to strengthen the department’s ability to recoup any overpayments to non-state schools. The department developed a policy to ensure it treats the overpayments as a debt that it can recover from the schools.
The policy allows the department to recover grants when a governing body:

- submits claims for ineligible students—for example, claiming the grant for fee-paying overseas students (who are ineligible)

- operates outside the conditions of its accreditation—for example, a school accredited to deliver Prep to Year 10 operating an unaccredited senior secondary department (Year 11 and 12)

- uses the grant for unapproved purposes—for example, purchasing land or buildings.
Audit conclusions

The board and the department, by implementing the recommendations we made in *Oversight of recurrent grants for non-state schools* (Report 12: 2014–2015), have increased the accuracy of the census information and reduced the risk of fraudulent claims.

They have addressed most of the underlying issues in our original audit. With the improvements to the census instructions, schools are more confident in interpreting the guidelines and calculating their student numbers. The department can also place greater reliance on the reliability of the survey data with the audit improvements the board has put in place.

However, we have observed an increasing risk for the board regarding data security. Schools are increasingly using electronic student attendance data, and they have relatively immature processes in place to maintain its security and integrity. This could affect the board’s ability to investigate errors or fraud that lead to grant overpayments.

The board and the department have worked well together to improve the governance arrangements for the payment of the recurrent grant to non-state schools. Because grants are still open to fraudulent claims, the board and the department must continue to maintain the robustness of these processes and deal with emerging risks.
1. Oversight of the grants

This chapter covers progress made by the Non-State Schools Accreditation Board and the Department of Education in strengthening oversight of the recurrent grants to non-state schools in Queensland.

Guidance on the census

In 2014–15, we recommended the Non-State Schools Accreditation Board (the board) provide clearer guidance (including examples) to non-state schools to ensure the student census was completed consistently, and to maintain appropriate records.

In *Oversight of recurrent grants to non-state schools* (Report 12: 2014–2015), we found that the existing online help guide was not providing clear instructions. Schools were not confident of their ability to consistently interpret the eligibility criteria.

Additionally, the online help guide did not specify the documentary evidence required to substantiate school survey data or the need to retain such records. This was evident in three of the four schools we visited in the original audit.

At the time of that audit, the board had limited ability to enforce record-keeping requirements on schools and the governing bodies. From 2015, it placed emphasis on the need for schools to have evidence of enrolment, attendance, and related documents for the enrolment verification process, but it did not have the power to enforce the requirement.

Progress made

The board has clarified the census instructions for determining whether students are eligible for the grant. As a result, it takes less time for schools to complete the form, and there is a reduced risk that they will claim for ineligible students by mistake.

The board has increased the record-keeping requirements for non-state schools in line with the legislative changes. It now requires them to maintain complete and accurate records to support their claims for the grant for five years. This strengthens the grant framework by providing:

- greater transparency for the funding
- documentary evidence to allow audits of any errors or misappropriation
- a deterrent to fraud.

Census instructions

In 2016, the board revised the written census instructions for the school survey data collection. They now provide more specific detail in areas where a student’s eligibility is not straightforward. They also highlight any changes to the census from previous years in the census instructions to make sure new requirements are clear.
The board has developed more online examples (vignettes and vodcasts) in the online census material to help schools.

All 10 schools we visited reported that the changes made to the census were helpful. The schools also found the examples useful when determining eligibility for students who do not meet the compulsory 11-day attendance requirements but may still be eligible for other reasons.

Feedback survey

Each year, the board asks schools to complete a survey on the census. It uses their feedback to improve the following year’s census. It includes questions on:

- census completion time
- vodcasts
- telephone helpline
- census instructions
- prior experience in completing the census.

In 2018, 35 of the 508 accredited non-state schools completed the feedback survey. We observed that from 2015 to 2018, the board improved the census instructions based on the feedback it received from schools in previous years.

Record keeping

The board collaborated with the Department of Education (the department) to strengthen record-keeping requirements for school survey data. The Education (Accreditation of Non-State Schools) Regulation 2017, which commenced on 1 January 2018, prescribes requirements for the collection and retention of school survey data and associated documents. It specifies and defines the census data for schools to collect and includes a requirement that schools retain census information for a period of five years.

We tested the compliance of the record-keeping requirements at each of the schools we visited. For most schools, there was evidence of the required record-keeping as outlined in the regulation. We did, however, observe that staff with several years of experience in completing the school survey data were at risk of becoming overly familiar with the process and not reviewing the changes to the annual instructions.

The following case study provides examples of the strong administrative practices and good record-keeping practices demonstrated by some schools.
Case study of good record-keeping

Mueller College record-keeping practices

Mueller College at Rothwell is a ministry of Mueller Community Church. In 2018, the school had 1,538 full-time students enrolled—from Prep to Year 12.

We observed strong administrative practices at the college, providing staff with streamlined access to enrolment verification information and attendance data.

**Complete and reliable records**

Mueller college demonstrated good record-keeping practices by:

- implementing formal enrolment and attendance recording procedures
- ensuring all enrolment forms are clear and free of ambiguity to identify any students who (for example) are Aboriginal or Torres Strait Islanders, or have English as a second language, or who have disabilities
- checking enrolment forms for completeness prior to offering places to future students—including having a birth certificate or other acceptable form of identification
- keeping physical copies of enrolment history and special needs reporting for each student
- maintaining individual student files for students requiring English as a second language support that include the student enrolment form, most recent band scale testing, supported learning programs specific to the student, and progress notes
- keeping a physical and digital copy of the data used to inform the student survey, including supporting evidence, file notes, and guardian contact
- effectively using a single digital attendance system, with appropriate user access, to track and record student attendance daily
- making records easy to find.

*Source: Queensland Audit Office from policies and procedures observed at the college.*

Requirement 3 of the Queensland Government Chief Information Office Records governance policy sets out the foundational principles of record keeping for agencies. Non-state schools are not required to comply with the policy, however the principles provide a sound framework that would support the schools in meeting the new record-keeping requirements.

**Policy requirement 3: Ensure complete and reliable records are created and retained as appropriate by:**

- identifying all records that allow the business to operate
- specifying how and when records are created and the format in which they are created, and implementing security requirements
- ensuring recordkeeping is considered when making decisions about business systems
- integrating record creation into existing business processes.
Audit verification framework

In the original audit, we recommended the board implement a more robust, risk-based audit verification framework to improve the level of assurance it obtained of the accuracy of the school survey.

The board conducts an enrolment verification program at selected schools to provide an additional level of oversight and assurance over the school survey data before the department releases the recurrent grant to the schools.

In our original audit, we found that the board had not established a robust framework, including an effective audit program, to oversee the census validation process. As a result, we concluded that the department was unable to rely on the data collected in the non-state schools survey as a basis for calculating payments.

Additionally, the contractors employed by the board to carry out the verification program did not possess the qualifications, skills, or experience required of a professional auditor as required under the Education (Accreditation of Non-State Schools) Act 2001.

Finally, the selection of schools for the verification was not based on a robust risk-based audit framework.

Progress made

The board’s revisions to the audit manual and program have delivered a robust framework for the audit of the census results. The steps the board and department have taken to implement our recommendation have been effective in reducing claims for ineligible students.

Auditors’ manual and risk management tool

The board has improved its audit verification framework by developing an audit manual, audit program, and risk assessment tool. The board’s auditors have been using the new audit manual and audit program for enrolment verification since 2016.

The auditors’ manual and program

The manual (Non-State Schools Accreditation Board’s Auditors for the Verification of School Survey Data) outlines how to conduct the audits. The auditors and the board have developed a comprehensive audit program that breaks down areas identified as higher risk and provides a detailed description of the work steps for the auditors to complete. This program ensures consistency across the verification process.

The board, the secretariat, and its auditors revised the auditing program in line with the Australian auditing and assurance standards. This included engaging a team of auditing professionals to conduct the enrolment verification program.

The board reviews the manual and program annually to align them to changes in the census and data collection procedures.

The risk assessment tool

In 2015, the board worked in collaboration with its auditors to develop a risk assessment tool to select schools for the enrolment verification process. It selects schools for enrolment verification based on their score against this tool. The tool considers sources of risk that increase the likelihood of misstatement of enrolments numbers in the census collection. This is based on historical data (for example where previous enrolment verifications identified errors or over claims, complaints history, time since last audit, and financial viability). The board reviews the risk assessment framework annually.
Reasonableness checks on all census returns

Each year the board conducts reasonableness checks on all enrolment returns for all schools, irrespective of whether it selects a school as part of the sample for enrolment verification. The reasonableness checks include:

- gross errors in enrolments
- issues regarding subsets in the student body that attract higher allowance amounts
- variations from previous years
- internal consistency.

If this check reveals an error, the board requests the school to correct the census return and resubmit. The board reviews matters included in the reasonableness checks annually.

The department may also provide input into the selection of schools, based on any relevant concerns raised during the previous year.

Auditors maintain contact with the board for the duration of the enrolment verification process and meet with the secretariat to discuss findings. The auditors then provide a consolidated report of the findings.

The audit results

Since our original audit, the board has increased the school sample size from 50 schools (10 per cent) in 2014 to 76 schools (15 per cent) in 2018. In 2016, the board implemented our recommendation, appointing professional auditors to undertake the enrolment verification.

Since then, the results of the enrolment verification process show a consistent improvement in the accuracy of student counts. Figure 1A provides an overview of the board’s auditors’ results for student counts (after the enrolment verification process) from 2014 to 2018.

![Figure 1A](verification_of_enrolment_results_2014_to_2018.png)

### Verification of enrolment results, 2014 to 2018

<table>
<thead>
<tr>
<th>Year</th>
<th>Schools audited</th>
<th>Enrolments tested</th>
<th>Auditor-identified overcount</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>No.</td>
<td>No.</td>
<td>No.</td>
</tr>
<tr>
<td>2014</td>
<td>50</td>
<td>31 422</td>
<td>60</td>
</tr>
<tr>
<td>2015</td>
<td>48</td>
<td>22 111</td>
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</tr>
<tr>
<td>2016</td>
<td>70</td>
<td>46 151</td>
<td>68</td>
</tr>
<tr>
<td>2017</td>
<td>71</td>
<td>35 004</td>
<td>31</td>
</tr>
<tr>
<td>2018</td>
<td>76</td>
<td>29 694</td>
<td>23</td>
</tr>
<tr>
<td>2014–2018</td>
<td>164 382</td>
<td>253</td>
<td>0.15</td>
</tr>
</tbody>
</table>

Source: Non-State Schools Accreditation Board interim report to the Department of Education on the 2018 collection and verification of school survey data.
We tested the board’s enrolment verification program in our visits to 10 non-state schools. We found the audit program provides a sound level of assurance over the student attendance data.

The 10 schools we visited claimed 4,007 students. We identified 15 students who were not eligible, which is 0.37 per cent of claims tested. In our original audit, seven per cent of students were over-claimed.

**Data security risks**

In the original audit, we identified the need for good security measures and tight controls on the number and type of staff with access to a school’s attendance databases. All 10 of the schools we visited for this follow-up audit were either already using electronic rolls to record student attendance or planned to be using them for the 2019 school year.

With the move to electronic recording of student enrolment and attendance data, schools need to monitor changes to their data to check who is accessing it and if they have made any unauthorised changes.

We conducted limited testing of data integrity across the non-state schools in our sample. We found that all 10 schools had applied some controls over user access to their attendance and enrolment systems. This included limiting the number of users with edit and delete access to the attendance database. However, there was no evidence that the schools were using audit logs to check the integrity of the data used for the school survey data reporting. An audit log keeps a complete listing of any changes made to a dataset and who made them and when.

The use of an audit log reduces the risk that data may not be accurate. It also allows management to identify and deter unauthorised amendments. We acknowledge that at nine schools, the software they were using did not have the ability to produce an audit log. They could not identify if someone had made any unauthorised changes to their attendance data. Schools have advised us they have approached the software vendors to have this functionality added to their systems.

Inadequate controls to ensure data integrity is an increasing risk in verifying school enrolment and attendance data. When schools used paper attendance rolls, the principal could identify changes and investigate if they were appropriate. In the absence of audit logs, school changes to electronic records could go unidentified and not be investigated.

We note that the *Education (Accreditation of Non-State Schools) Regulation 2017* requires schools to keep the census data in a way that ensures the integrity and security of the data and documents. However, neither the regulation nor the *Education (Accreditation of Non-State Schools) Act 2017* give the board authority to require non-state schools to put specific security controls (such as audit logs) in place for student data.

The board’s audit program requires it to confirm the accuracy and reliability of the student data. However, the schools we visited did not fully understand the risks to their data security and integrity. The board needs to consider what support schools may need to manage these security and integrity issues and raise schools’ awareness of the risks as part of its ongoing monitoring of the accreditation of non-state schools.
Assurance mechanisms

In 2014–15, we recommended that the department establish appropriate ongoing assurance mechanisms with the board regarding the operational effectiveness of the controls and processes the board has in place over the accuracy of the student numbers at non-state schools.

In the original audit, we identified that the department did not have grant agreements in place with the governing body of each non-state school. This limited the department’s ability to recoup any overpaid funds.

We also found the department and the board were not accurately allocating the recurrent grant to non-state schools. We found the board’s verification process was not adequate in providing reliable assurance to the department.

Progress made

The department has improved its ability to recoup any overpayments of grants to non-state schools. It has created the *Non-State Schools Recurrent Grant Policy*, which makes it clear how the department will treat and recover overpayments.

We analysed the reporting mechanisms the board uses to provide assurance to the department for the allocation of the grant. We found the process for the enrolment verification to be appropriate and robust.

We note that the board’s annual report on the enrolment verification adds rigour to the assurance and oversight the department has of the process.

Changes in legislation

The department considered the introduction of individual funding agreements with governing bodies of all non-state schools but decided to pursue changes to legislation for a more consistent approach. This was due to concerns that developing individual grant agreements with every non-state school would be overly complex, given the number of governing bodies and schools.

The government amended the *Education (General Provisions) Act 2006* to allow the department to recover overpaid funds. These amendments took effect on 1 January 2017 and formalised a statutory process for the recovery of overpaid state recurrent funds to non-state schools.

The department developed the *Non-State Schools Recurrent Grant Policy* to support the legislative amendments, and the minister approved the policy in December 2016. The policy outlines the process for the department to recover overpayments of state recurrent funding and includes a dispute resolution process. The policy also provides the minister with additional enforcement powers in response to the possible misappropriation of recurrent funding.

To recover the funding, the department may:

- request a one-off repayment equal to the amount of the overpayment
- allow the school to make multiple part-payments in accordance with a repayment plan
- reduce the governing body’s future state recurrent grant payments over time until it repays the overpayment in full.
Ongoing assurance and oversight

The department now requires the board to submit an annual report at the completion of the enrolment verification process. The annual report outlines how the board ensured the accuracy of the school survey data and includes a statement of assurance. The board uses a report template provided by the department and approved by the department’s Chief Financial Officer.

The report provides the department with:

- a description of the controls and processes the board uses to verify the accuracy of the schools’ survey data and the results of its testing
- information about any financially important and significant issues
- a way to ensure the board is regularly reviewing its controls so the processes continue to be effective.

The department and the board continue to collaborate during the year at appropriate key points to:

- develop the census instructions
- audit the census results
- verify the accuracy of the results before paying the grant.
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A. Full responses from entities

As mandated in Section 64 of the Auditor-General Act 2009, the Queensland Audit Office gave a copy of this report with a request for comments to The Non-State Schools Accreditation Board and the Department of Education.

The heads of these entities are responsible for the accuracy, fairness and balance of their comments.

This appendix contains their detailed responses to our audit.
Follow-up of Oversight of recurrent grants to non-state schools (Report 15: 2018–19)

Comments received from the Chair, Non-State Schools Accreditation Board

20 February 2019

Mr Brendan Worrall
Auditor-General
Queensland Audit Office
PO Box 15396,
CITY EAST QLD 4002
By email: gao@qao.qld.gov.au

Dear Mr Worrall,

I refer to your 7 February 2019 letter (with enclosed copy of your proposed report to Parliament) regarding the follow-up audit to the original audit leading to Report 12: 2014-15 Oversight of recurrent grants to non-state schools, and your acquittal of the Board’s 29 January 2019 comments raised in response to the preliminary draft report.

Thank you for considering the Board’s comments on the preliminary draft and for making amendments to the report.

The Board notes the findings of the follow-up audit that the Board has fully implemented all recommendations relevant to it in Report 12, which has increased the accuracy of the census information and reduced the risk of fraudulent or erroneous census returns, and that the Board and the Department of Education have worked well together to improve the governance arrangements for the payment of recurrent grants to non-State schools.

The Board will continue to work to strengthen its annual census of enrolments and enrolment verification program, and its oversight of the prescribed accreditation criterion relating to the statutory obligation on schools to keep school survey data and associated documents in a way that ensures the integrity and security of the data and documents.

The increasing risk identified in the audit for school governing bodies in providing census data, and the Board in collecting and verifying submitted census data, is noted. The Board appreciates receiving your related findings that:

(a) all of the 10 schools sampled in the follow-up audit were using, or planning to use in 2019, electronic rolls to record student attendance rather than paper rolls; and

(b) none of the sampled schools had strong controls to monitor changes to student data by way of manipulation or amendment.
To mitigate this risk, the Board has already begun to strengthen its oversight of the accreditation criterion that requires schools to keep school survey data and associated documents for at least five years in a way that ensures the integrity and security of the data and documents. This involves:

(a) the on-site compliance work undertaken by the Board’s authorised persons relating to census verification and meeting the accreditation criteria; and

(b) the periodic demonstration of compliance by governing bodies that their schools meet the accreditation criteria.

The Board will examine as soon as possible what more it can do to further assist school governing bodies improve their enrolment data storage and integrity.

It is expected that this will include a Board communication program directed to all governing bodies and principals of schools;

(a) informing them of your final report, and how it may be accessed;

(b) reminding them of their statutory obligation on retention and security of census data; and

(c) suggesting that they give renewed emphasis to ensuring and confirming compliance, in particular, in respect of the integrity and security of census data and census-related documents.

Thank you for providing the Board with the opportunity to comment on your proposed report to Parliament.

Yours sincerely

Lynne Foley OAM
Chairperson
25 FEB 2019

Mr Brendan Worrall
Auditor-General
Queensland Audit Office
Email: qaoq@qao.qld.gov.au

Dear Mr Worrall,


I note a copy of this proposed report was also provided to the Honourable Grace Grace MP, Minister for Education and Minister for Industrial Relations.

I am pleased to note the recommendations from the 2014–15 report have been accepted as fully implemented.

I understand that since the tabling of the 2014–15 report both the Department of Education and the Non-State Schools Accreditation Board (the Board) worked expeditiously and with great diligence to ensure that the Queensland Audit Office's recommendations were implemented in full.

In relation to the report’s comments regarding an emerging risk with the security of enrolment data, my department will work with the Board to consider this matter thoroughly and implement appropriate strategies to manage this risk.

It is reassuring to know the report findings endorse that the department’s and Board’s processes for State recurrent grants to non-state schools are working efficiently and effectively.

Should your officers wish to discuss this matter further, I invite them to contact Executive Director, Portfolio Services and External Relations, on or by email at

Yours sincerely,

TONY COOK
Director-General

Ref: 1882574
B. Audit objectives and methods

The objective of this audit was to assess whether the Non-State Schools Accreditation Board and the Department of Education have effectively implemented the recommendations made in the Queensland Audit Office’s *Oversight of recurrent grants to non-state schools* (Report 12: 2014–15).

The audit addressed the primary objective through the following sub-objectives and lines of inquiry.

**Figure B1**
Audit sub-objectives and lines of inquiry

<table>
<thead>
<tr>
<th>Sub-objectives</th>
<th>Lines of inquiry</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. The entities have actioned the recommendations.</td>
<td>1.1 The entities have implemented the recommendations in accordance with their responses or have taken alternative actions.</td>
</tr>
<tr>
<td></td>
<td>1.2 The entities implemented the recommendations in a timely manner.</td>
</tr>
<tr>
<td>2. The entities have addressed the underlying issues that led to the recommendations.</td>
<td>2.1 The entities have addressed the issues that led to the recommendations.</td>
</tr>
<tr>
<td></td>
<td>2.2 The entities’ actions have resulted in improvements in the oversight of recurrent grants to non-state schools.</td>
</tr>
</tbody>
</table>

*Source: Queensland Audit Office.*

**Entities subject to this audit**

- Department of Education (the department)
- Non-State Schools Accreditation Board (the board)
- A sample of 10 non-state schools
Audit approach

In January 2017, as part of our strategic audit planning process, we asked the board and the department to self-assess their progress in implementing our recommendations using the following ratings:

- F—fully implemented
- P—partially implemented
- A—alternative action undertaken
- NA—no substantial action taken.

We asked the entities to provide comments on the outcomes of actions they have taken and on planned future actions.

We requested further information on actions taken in implementing the recommendations. Based on the additional information provided, we identified where it was necessary to perform risk-based checks to gain assurance of entities’ actions.

We conducted the audit in accordance with the Auditor-General of Queensland Auditing Standards—September 2012, which incorporate the requirements of standards issued by the Australian Auditing and Assurance Standards Board.

The follow-up audit process included:

- ensuring the responses addressed the intent of the recommendation and subsequent effectiveness and outcomes of the recommendations
- testing documentation for evidence consistent with the entities’ responses
- analysing student attendance data
- observing schools’ quality assurance processes
- conducting interviews to clarify responses.
Auditor-General reports to parliament

Reports tabled in 2018–19

1. Monitoring and managing ICT projects
   Tabled July 2018

2. Access to the National Disability Insurance Scheme for people with impaired decision-making capacity
   Tabled September 2018

3. Delivering shared corporate services in Queensland
   Tabled September 2018

4. Managing transfers in pharmacy ownership
   Tabled September 2018

5. Follow-up of Bushfire prevention and preparedness
   Tabled October 2018

6. Delivering coronial services
   Tabled October 2018

7. Conserving threatened species
   Tabled November 2018

   Tabled November 2018

   Tabled November 2018

10. Digitising public hospitals
    Tabled December 2018

    Tabled December 2018

12. Market-led proposals
    Tabled December 2018

13. Health: 2017–18 results of financial audits
    Tabled February 2019

    Tabled February 2019

15. Follow-up of Oversight of recurrent grants to non-state schools
    Tabled March 2019
Audit and report cost

This audit and report cost $155 000 to produce.

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Performance engagement

This audit has been performed in accordance with ASAE 3500 Performance Engagements.