

**AUSTRALIAN COUNCIL FOR THE DEFENCE OF GOVERNMENT
SCHOOLS**

PRESS RELEASE 825

**FEDERAL FUNDING REPORTS:
FOXES WATCHING OVER THE CHICKENS**

In recent days Australian citizens have been exposed to the blatant pork barrelling of sports grants by the Coalition in the weeks before the last election. The auditor general issued a scathing report into the \$100m community sport infrastructure grant program. After a week of embarrassing headlines about Bridget McKenzie, the sports Minister, and further revelations about her gun club membership and a mere \$36,000 grant to her club, the prime minister, Scott Morrison, has finally [referred Bridget McKenzie's handling of the controversial sports grants scheme to an internal investigation.](#)

Does this mean that the checks and balances in our fragile democratic system are still working, and Auditor General and Parliamentary Committee Reports still means something?

DOGS note that they may mean something when it comes to a \$100m community sport infrastructure program, but they means zilch when it comes to billions and billions of dollars of State Aid to private schools in Australia. The current coalition model will see the Commonwealth in the next decade, funding non-government schools with [Commonwealth recurrent funding for non-government schools of \\$181.6 billion from 2018 to 2029 \(from a 2017 base\).](#) This does not take into account State government funding or taxation exemptions. These figures make McKenzie \$100 million pork barrel look miniscule .

Yet, in the last decade there have been at least three reports from State and Federal Auditor Generals criticising lack of accountability for public funds expended by, in particular the Catholic Education and Seventh Day Adventist systems of this country

Private School Funding and Auditor General's Reports

But as far as the Government is concerned, it is generally business as usual. Consider the following.

1. **2019:** In February 2019 the [Joint Committee of Public Accounts and Audit of the Parliament slammed the Commonwealth Department of Education](#) for failing to ensure that government funding of private systems was distributed according to needs-based principles. In a bi-partisan report tabled in the Parliament the Joint Committee criticised a lack of transparency and accountability about school funding caused by inadequate administrative arrangements.

The Joint Committee report has in effect endorsed the findings of the 2017 Audit Office report [Monitoring the Impact of Australian School Funding](#) which found that the Department of Education had failed to enforce its own legislation by failing to ensure that:

- School systems' funding arrangements are publicly available and transparent;
- School systems distribute taxpayer funding to affiliated schools on a needs-basis;
- Progress of agreed national reform directions is adequately monitored.

The Audit Office had previously found that only two of 25 private school systems had published their needs-based funding arrangements, while seven of the eight state departments had done so for public schools. There were very large variations between systems that do report on public expenditure and some have been diverting considerable funding to their own administration. The proportion devoted to central administration ranged between 0.1% and 18.9% of total recurrent funding, with a value between \$100,000 and \$30.7 million.

The problems of accountability experienced by the Federal Department of Education were exacerbated by their heavy reliance on self-reporting by schools systems, instead of targeted verification of how funds were distributed to schools.

Reading further and between the lines, private school systems, and most particularly, highly centralised Catholic school systems have been allowed to '*self regulate*' for many decades, and are reluctant to give up any of their power to distribute taxpayer funds to their schools as they see fit.

The new report is the latest in a long list of audit reports highlighting poor government oversight of how private school systems distribute government funding. For example, the recent [National Audit Office report](#) slammed the Commonwealth Department of Education for failing to ensure its funding of private school systems was distributed according to need and for not knowing how private school systems distributed their funding. There had been no change from the [2009 Audit Office report](#) that found that the Department did not have information on the funding formulae that private school systems used to distribute funds to their affiliated schools.

Nor did the Federal Department of Education validate the enrolments of private schools, and relied on the auditors engaged by the private schools and systems themselves to certify the accuracy of information on their enrolments and usage of grants. This means that the MySchool website data is that provided by the schools themselves and has not been validated.

2. In 2016 the Victorian Auditor General made the following observations

The Department of Education & Training (DET) provides grants to non-government schools directly or through system bodies. The funding agreements set out the types or purpose of expenditure for which the funds may be used

There is significant variation in the management practices of different schools and overall they lack policies and procedures to demonstrate the effective use of state government grants. With some exceptions, they cannot adequately track and demonstrate how grant funds have been spent.

- The recurrent grant funds to Catholic schools are reallocated to individual schools by the Catholic Education Commission Victoria.
- Schools examined in this audit had an auditor's report stating state recurrent grant funds were expended for the purposes for which it was provided, but no school was able to demonstrate to VAGO that state recurrent grant funds were spent as required.
- Schools examined in this audit were mostly unable to adequately demonstrate that grants had been used as allowed under the funding agreement

In other words, in Victoria, there is virtually no proper accountability for the billions of dollars of public money from either State or Federal sources expended by private schools.

3. In NSW in 2019

While [NSW Treasury officials pored](#) over NSW Department of Education (DOE) budgets this year, the NSW government's only budgetary oversight of the Catholic sector's annual funding was allegedly a one-page document stating how much money it would be paid. Former NSW Education Minister Adrian Piccoli said the document, obtained by Greens MP David Shoebridge under freedom of information, showed that schools receiving large amounts of public money were not subject to enough scrutiny.

"They get more public money than quite a few government agencies," Mr Piccoli said. "I'm not suggesting they are doing anything wrong. But the public has a right to know what's happening inside the schools that are getting that money."

- ### 4. In 2011: The first Gonski Report
- noted the failure of accountability lack of transparency of funding allocations in private school systems. Interestingly, it was not within the terms of reference of the second Gonski Report.

Conclusion.

As Trevor Cobbold has pointed out:

The fact is that private schools and systems in Australia are largely self-regulated. The history of government funding of private schools is a history government and bureaucratic failure to ensure public transparency and accountability on how private school organisations spend taxpayer money. Some private school organisations have long arrogantly refused to meet legislative and regulatory requirements relating to accountability for the use of taxpayer funds.

The sad thing is that this is likely to continue given the standard set by the Commonwealth. Gonski 2.0 continues the same administrative and regulatory arrangements that have failed in the past. It has made it clear that there will be no change to the autonomy of private school systems in distributing funding to their schools and the transparency arrangements remain unchanged despite the recent report.

In a liberal democracy, the principle of transparency and accountability for the use of taxpayer funds by school systems or schools that receive those funds should be inviolate.

But, in Australia, the private systems, and especially those associated with the Catholic and Seventh Day Adventist Churches, have placed themselves outside and above regulation. They self-regulate and, in this sense, are independent. They have become a State within a State, but parasitic upon that State. As Ray

Nilsen would say, they are a cancer in the body politic. They have become one of the most powerful lobby groups, largest employers, largest property owners, largest receivers of public largesse in Australia.

So, as our Media hovers over the sports funding pork barrelling, DOGS remind Australian citizens that the McKenzie fiasco is a mere storm in a tea cup.

The bigger scandal, the State Aid funding scandal, is systematically undermining at least three of the cornerstones of our democracy: accountability for expenditure of public money; a strong public education system; and separation of church and state.

What then, is too big to fail? The uneconomic and inefficient private systems dependent upon public money for their existence, or our democratic institutions?

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