Department of Education and Training

AUDIT OPINION

The audits of the financial reports of the Department of Education and Training (the Department), and its controlled entities, for the year ended 30 June 2007 resulted in unqualified Independent Auditor's Reports.

Unless otherwise stated, the following commentary relates to the parent entity.

PERFORMANCE INFORMATION

The Department measures whether it is achieving its priority outcomes by using performance indicators, such as:

- literacy and numeracy
- class sizes
- year 12 retention rates
- achievement gap for Aboriginal students
- government school enrolments.

Literacy and Numeracy

The Department aims to achieve equitable literacy and numeracy outcomes for students by setting standards of achievement. The Department evaluates literacy and learning outcomes for school students using the following tools:

- the Basic Skills Test (BST) which is used to assess primary school students (Years 3 and 5)
- the English Language and Literacy Assessment (ELLA) and Secondary Numeracy Assessment Program (SNAP) which are used to assess secondary school students (Years 7 and 8).

Students are placed in bands depending on the results of their test.

The table below shows primary school literacy and numeracy outcomes from 2004 to 2006 school years and compares them to the Department's 2006 targets.

Year ended 31 December	Actual			Target
	2004*	2005*	2006**	2006**
Year 3 Literacy at band 2 or higher (%)	94.8	91.8	***92.0***	***94.8***
Year 3 Numeracy at band 2 or higher (%)	89.9	90.8	***90.9***	***91.8***
Year 5 Literacy at band 3 or higher (%)	95.4	94.1	***93.9***	***95.1***
Year 5 Numeracy at band 3 or higher (%)	93.6	93.4	***94.6***	***94.0***

* Source: DET Results and Services Plan 2006-07.
** Source: Department of Education and Training (DET) Annual Report 2006.
Notes: The 2003-04 trend data for the BST Literacy indicator should be interpreted with caution. From 2005, the BST Literacy indicator is based on students' performance on the reading, language and writing components of the one BST test. Prior to 2005, students' performance in reading and language was assessed via the BST and students sat a separate test, the Primary Writing Assessment (PWA), for writing. Hence the 2003-04 data has been created retrospectively by matching students who sat both the BST and the PWA. Students who could not be matched or did not sit both tests have been excluded.

Although the actual percentages have increased from 2005, except for Year 5 numeracy, they are marginally below the targets for 2006. The Department advised us that the targets for 2006 increased from 2005.

The table below shows secondary school results from 2004 to 2006 school years and compares them to the Department's 2006 targets.

Year ended 31 December	Actual			Target
	2004*	2005*	2006**	2006**
Year 7 Literacy at elementary band or higher (%)	95.5	95.5	***96.2***	***95.8***
Year 7 Numeracy at elementary band or higher (%)	95.4	96.2	***92.9***	***96.3***
Year 8 Literacy at elementary band or higher (%) ***	97.1	97.2	***97.6***	***na***
Year 8 Numeracy at elementary band or higher (%) ***	97.2	97.6	***95.4***	***na***

* Source: DET Annual Report 2005.
** Source: DET Annual report 2006.
*** Source: 2006 - DET Statistical Compendium 2006. No targets are set for Year 8 literacy and numeracy as the tests are carried out on a voluntary basis.

The Department exceeded its target for Year 7 literacy. Compared to 2004 the literacy performances have increased, while numeracy levels have shown a substantial decline. The Department informed us the decline in numeracy achievement levels was expected in 2006 and is attributable to the conduct of testing two months earlier, in March rather than May.

The Department spent $129 million on the literacy and numeracy plan in 2005-06 compared to $130 million in 2004-05.

Targets for all students in literacy and numeracy were determined in accordance with the criteria set out in the State Priority Delivery Plan. This aims to reduce the proportion of the lowest performing students in literacy and numeracy by ten per cent by 2008 with a further 20 per cent reduction by 2016. In addition the plan aims to increase the proportion of students meeting or exceeding national literacy and numeracy proficiency standards by ten per cent by 2012 with a further five per cent increase by 2016.

The Department advised us that:

- minimum standards for all students in Year 5 numeracy and Year 7 literacy are on track and likely to be achieved in 2008
- considering proficiency standards achieved in 2005 (base year), it is likely that all students in Year 5 literacy and numeracy and Year 7 literacy are on track to achieve these standards in 2008
- proficiency standards for Year 3 literacy and numeracy students and Year 7 numeracy students are unlikely to be achieved by 2008.

In order to reduce the gap between the highest performers and those who need support, several initiatives have been implemented to improve literacy and numeracy standards for all students. The Department is to spend $616 million over the next four years to further improve student literacy and numeracy levels.

Student performance against national literacy and numeracy benchmarks

The most recently published literacy and numeracy benchmarks are for 2005. Benchmarks refer to nationally agreed minimum acceptable standards below which students will have difficulty progressing satisfactorily at school. The following table shows the achievement of NSW students against the national benchmark in 2005 for literacy and numeracy skills.

	Year 3		Year 5		Year 7	
	NSW Result	National	NSW Result	National	NSW Result	National
Reading (%)	93.3	92.7	89.7	87.5	88.1	89.8
Writing (%)	93.6	92.8	95.9	93.3	92.1	92.2
Numeracy (%)	95.4	94.1	91.7	90.8	75.8	81.8

Source: National Report on Schooling in Australia 2005.

The NSW results for Years 3 and 5 were higher than the national benchmark. However the Year 7 numeracy results were below the national benchmark. The Department has told us that the Year 7 numeracy result indicated it may have been affected by the method used to set the benchmark on each State or Territory's test. It is anticipated that this shall be corrected when the national assessment program is implemented.

Reduced Class Sizes in Kindergarten to Year 2

In 2006, the Department completed phase three of its Class Size Reduction program. The following table illustrates the progress since 2004.

Year ended 31 December	Actual			Target
	2004*	2005*	2006*	2006**
Average number of students in classes:				
Kindergarten	22.1	19.7	***19.3***	***20.0***
Year 1	24.6	23.6	***21.3***	***22.0***
Year 2	25.4	25.1	***24.1***	***25.0***

* Source: DET Annual Report 2006.
** Source: DET Results and Services Plan 2006-07.

The Department has met its 2006 targets. Class sizes for Kindergarten students has reduced to a statewide average of 19.3, an average of 2.8 students less than in 2004 and 4.8 students less than in 1997. For Year 1 students the statewide average of 21.3 students is an average of 3.3 students less than in 2004 and 4.2 students less than in 1997.

Year 12 Retention Rates

The Department has put in place a range of strategies designed to encourage students to complete Year 12. These strategies have seen an overall increase in Year 12 retention rates for government schools since 2002 from 63.8 per cent to 65.1 per cent in 2006. Although there was a deterioration in 2006 significant decreases from the previous year were noted in students from language backgrounds other than English and geographically isolated students.

Retention Rates from Years 7 to 12 for Government Schools

Year ended 31 December	2002 %*	2003 %*	2004 %*	2005 %*	2006 %**
All students	63.8	65.0	65.8	65.8	***65.1***
Aboriginal students	29.0	29.2	29.9	29.4	***28.7***
Students from language backgrounds other than English	102.3	104.6	108.2	109.5	***105.4***
Students from low socio-economic status backgrounds	54.0	55.0	56.4	55.5	***52.9***
Geographically isolated students	47.5	48.8	43.7	45.6	***41.3***

* Source: DET Annual Report 2005.
** Source: DET Statistical Compendium 2006.
Notes:
- Retention rates are 'apparent' as they do not track individual students through their secondary schooling.
- Retention rates for students from low socio-economic status backgrounds and geographically isolated students are based on participating schools in 2006.
- Year 12 retention rates can exceed more than 100 per cent due to a number of factors including migration of students from interstate and overseas.

Retention rates for full-time students by State (2001-2006) for Years 7/8 to 12

Years	NSW	Vic	Qld	SA	WA	Tas	NT	ACT	National
2006	***65.1***	***72.6***	***71.6***	***61.9***	***65.1***	***63.2***	***72.3***	***103.2***	***68.5***
2005	65.8	74.0	73.0	61.7	65.4	65.5	70.5	99.6	69.4
2004	65.8	74.4	75.3	58.0	65.9	70.7	72.0	100.5	69.8
2003	65.0	74.9	76.1	56.8	64.8	74.5	69.0	101.0	69.6
2002	63.8	74.4	76.5	56.9	69.0	72.9	63.1	98.7	69.5
2001	62.0	73.7	73.6	57.4	65.9	68.5	59.7	107.6	67.8

Source: DET Statistical Compendium 2006.
Notes: Retention rates are 'apparent' as they do not track individual students through their final years of secondary schooling.
Care should be exercised in the interpretation of apparent retention rates as the method of calculation does not take into account a range of factors including:
- Differing enrolment policies across jurisdictions (which contribute to different age-grade structures).
- Students enrolled in Year 12 on a part-time basis or repeating a year.
- Movements of students between States and between school sectors.
- Impact of full-fee paying overseas students.
- Varying enrolment patterns in which students choose to complete their secondary schooling at TAFE.
- Apparent retention rates can exceed more than 100 per cent due to a number of factors including migration of students from interstate and overseas.

Although there was a slight decrease in retention rates of Year 7 to 12 students in New South Wales it retained its ranking of fifth amongst all States and Territories. This still remains well below the national average.

The Achievement Gap for Aboriginal Students

The comparison of Year 3 and Year 5 Aboriginal students' basic skills test (BST) results for numeracy and literacy against all student peers show significant gaps. From 2002 to 2006, BST results for Year 5 Aboriginal students have shown a gradual improvement, reducing the gap from 14.8 per cent to 11.9 per cent for numeracy. However, for literacy, the gap increased from 10.8 per cent to 14 per cent. The gap for Year 3 literacy widened from 11.7 per cent to 16.7 per cent while the gap for Year 3 numeracy increased slightly.

Minimum standard targets set for Aboriginal and Torres Straits Island (ATSI) students required all states to reduce the 2004 literacy and numeracy gap between ATSI students and all students by 50 per cent by 2008, and by a further 50 per cent by 2012.

The Department told us that:

- minimum standards for ATSI students in Year 3 and Year 7 numeracy are presently not on track and are unlikely to be achieved by 2008
- the remaining minimum standards for ATSI students for Year 3, Year 5 and Year 7 literacy and Year 5 numeracy has decreased since 2004, however the rate of decrease is likely to be insufficient to achieve the targets in 2008
- proficiency standards for ATSI students in Year 5 literacy and numeracy are on track and likely to be achieved in 2008. There is some concern the remaining proficiency targets set for ATSI students for Year 3 and Year 7 literacy and Year 3 and Year 7 numeracy may not be achieved by 2008.

In 2006, there were 6,663 students (6,661 in 2005) who were recognised on the HSC Distinguished Achievers List, of which only 0.2 per cent (0.2) were Aboriginal students.

The Department has made it a priority to allocate funding of $65.0 million over four years to improve the academic achievements for Aboriginal school students, by designing specialised teaching programs in order to reduce the gap. The Department advised us that of the $13.3 million allocated in 2006-07, $13.1 million was spent.

Government Schools

	NSW	National	NSW Ranking amongst all States and Territories	NSW Ranking Previous Year (d)
Recurrent Expenditure ($) per student on Government Schools 2005-06 (a)				
Primary	10,195	10,280	2	4
Secondary	12,823	12,729	4	4
Overall	11,279	11,243	3	4
Student to Teaching Staff Ratios – Government Schools 2006 (b)				
Primary	16.2	15.8	7	8
Secondary	12.4	12.4	4	5
Overall	14.4	14.3	5	6
Full-Time Student Enrolment – Government Schools as a percentage of all schools 2006 (c)				
Primary	70.0	70.6	5	5
Secondary	62.4	61.6	4	4
Overall	66.7	66.8	5	5

(a) Source: Ministerial Council of Education, Employment Training and Youth Affairs – National Report on Schooling in Australia, 2006. Incorporates both salaries and non-salary costs. Includes actual or notional payroll tax and notional eight per cent user cost of capital.
(b) Source: Australian Bureau of Statistics, Schools Australia 2006 (Table 25).
(c) Sources: Australian Bureau of Statistics, Schools Australia 2006 (Table 8).
(d) The rankings range from one to eight (lowest to highest).
Note: Care should be taken when comparing different jurisdictions as areas of non-comparability continue to exist eg there can be large differences between city and country staff ratios within different jurisdictions.

New South Wales expenditure per student was higher than the national average for secondary schools in 2005-06. Expenditure per primary student in NSW increased from $9,944 in 2004—05 to $10,195 in 2005-06. At this level it has fallen below the national average of $10,280 and has the second lowest expenditure per primary school student. While the primary student to teacher ratio remained higher than the national average, NSW's ranking among other States and Territories improved slightly for both primary and secondary student to teacher ratios. At this level the overall ratios remained slightly above the private sector ratio of 13.8 students per teacher.

In 2006, the overall ratio of students per teacher in NSW was 14.4. This ratio includes 43 schools with ten or less students and 293 schools with student numbers between ten and 50. These schools have a low student teacher ratio which to some extent skews the overall student teacher ratio. The larger schools with 50 to 1,000 students have a 15.3 ratio while 91 schools with greater than 1,000 students have a ratio of 14.4.

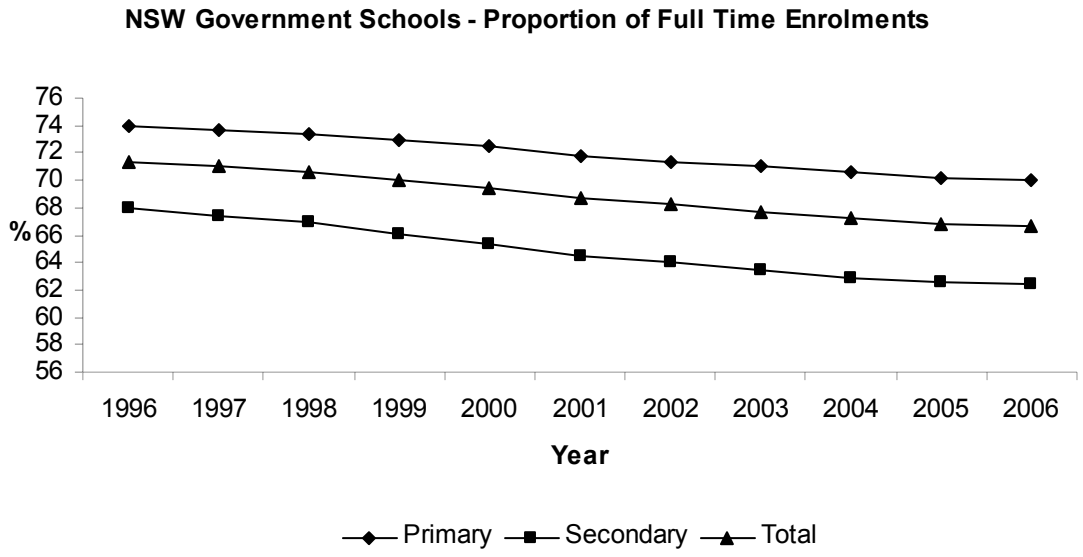
In comparison with other jurisdictions, NSW continues to be ranked fifth in attracting student enrolments to government schools.

The following table shows the continued movement in students from government to non-government schools:

NSW Student Numbers	Government			Non-Government		
	2004	2005	2006	2004	2005	2006
Primary	440,309	436,551	***434,366***	183,670	185,342	***185,840***
Secondary	303,920	303,888	***304,941***	179,150	181,905	***183,800***
Total	744,229	740,439	***739,307***	362,820	367,247	***369,640***

Source: Australian Bureau of Statistics, Schools Australia 2006 (Table 6).

The proportion of all students enrolling in government schools has been declining for the past 14 years. The most significant decline has been in secondary schools, falling from 69.2 per cent in 1992 to 62.4 per cent in 2006. Overall, the reduction has been 6.8 per cent. However this declining trend has been somewhat reduced during 2005-06. The chart below illustrates the decline over the last decade.



Source: Australian Bureau of Statistics, Schools Australia 2006 (Table 8)

The number of teachers employed in New South Wales government schools during the last three years is illustrated below on a full-time equivalent (FTE) basis:

Teaching Classification	2005	2006	2007
Permanent and temporary teachers	50,905	50,601	***51,190***
Long term casual teachers	2,809	2,801	***2,816***
Short term relief casuals	1,933	1,848	***1,895***
	55,647	55,250	***55,901***

Source: DET Statistics.

The number of teachers employed in 2007 increased slightly from 2006. Departmental statistics indicate that on average 4.8 per cent of teachers are expected to retire each year over the next four years with an average 4.7 per cent of new teachers selected to be employed annually during this period. In order to minimise the effect of these shortfalls, the Department has a range of initiatives in place to ensure that shortages in areas such as secondary mathematics, science and technological and applied studies, do not occur. These initiatives include scholarships, accelerated teacher training and retraining for teacher recruitment in areas of anticipated shortfalls.

Computers in Schools

A key initiative of the Department is to provide sufficient numbers of up-to-date computers and related technology to schools, to enhance the computer skills of all students and to train teachers. The expenditure in this area is detailed in the table below.

Year ended 30 June	2005 $'000	2006 $'000	*2007 $'000*
Purchase of computers	--	30,331	***34,587***
Computers in schools leasing costs	34,438	20,080	***3,085***
Internet and related expenditure	29,763	25,510	***25,509***
Computer co-ordinator funding to schools	46,173	48,809	***49,339***
Other	17,822	9,129	***5,784***
Total	128,196	133,859	***118,304***

Source: DET Statistics.

Expenditure decreased mainly due to reduced computer leasing costs during the year. During the year, the Department delivered and installed 23,398 computers to 1,588 schools at a cost of $34.6 million ($30.3 million). It is anticipated that a further 41,000 computers will be delivered in Term 4, 2007 and during 2008.

The Department estimates that the ratio of students to computers in government schools has improved from 22:1 in 1995 to around 6:1 in 2007.

The Audit Office conducted a follow-up of a 2000 audit of the Department's use of computers in schools for teaching and learning. The report found that student and teachers had significantly better access to computers in 2007 than they had in 2000 and that the Department had been proactive in advancing Information Computer Technology (ICT) into schools.

The main recommendation coming out of the report was for the Department to identify ICT needs in schools and develop strategies to systematically address the needs of any schools falling behind in the use of computers.

For further information regarding the report, refer to www.audit.nsw.gov.au/publications/reports/performance/performance_reports.htm.

Workers' Compensation Claims

	2005*	2006*	2007*
Workers' compensation premium (S'000)	129,733	151,125	***126,120***
Total number of claims **	7,317	10,762	***12,376***
Total number of claims incurring cost	5,477	5,782	***6,008***
Number of working days lost	111,284	36,621	***43,721***
Number of stress claims incurring cost	927	849	***949***
Number of working days lost due to stress claims	24,176	14,294	***19,816***

Source: DET Statistics.

* Figures represent data in respect of the year in which the incident occurred. Therefore the total days lost are higher for the earlier years due to the passage of more time.

** The data for 2006 and 2007 includes incident notification only claims. This data has not been recorded in previous years and therefore is not comparable to past years.

The workers' compensation insurance premium decreased in 2006-07 while the total number of claims incurring costs rose 3.9 per cent. The premiums paid for the financial year 2005-06 and 2006-07 exceeded the benchmark set by the Treasury Managed Fund by $36.6 million and $20.2 million respectively. The Department had to fund the excess.

Under the 'Safe Working and Learning Strategy', the Department has specified targets to meet by June 2008. Theses include a 20 per cent reduction in workplace injuries, 15 per cent reduction in average cost of claims and 20 per cent reduction in the duration of workplace injuries.

Based on a comparison between 2004-05 figures (base data) and the 2006-07 figures, workplace injuries reported have increased 70 per cent, the average cost of claims has increased two per cent and average time lost due to workplace injury has decreased 15 per cent.

School Principals' Assessment

The performance and management of principals is assessed annually through The Principal Assessment and Review Schedule. The aim of the review is to better support principals in meeting high levels of educational leadership and management expertise required in NSW Public Schools.

A Performance Improvement Program (PIP) was introduced to address issues where principals do not meet the required performance standards. Failure to meet efficiency targets could see the principal dismissed or demoted.

In 2006 five PIP programs were implemented, with four principals successfully completing the program and one being subsequently demoted after failing to satisfy the requirements. In 2007 five PIP programs have been implemented.

Since 2005, a number of principals chose to leave the Department following their performance assessment and the introduction of a PIP.

Assessing Teacher Performance

A teacher's performance is assessed annually and reported by way of the Teacher Assessment Review Schedule. A teacher's progression or maintenance on the common incremental scale is dependent on the teacher demonstrating continued efficiency in teaching practice, satisfactory performance and professional growth.

In addition the Department has a Teacher Improvement Program (TIP) in place to support teachers identified as experiencing difficulty with their teaching performance. The selected teacher is placed on a ten week program (with a possibility of extension for up to a further six weeks), with the Principal determining any improvement in the teacher's performance. If there is insufficient improvement, procedures to terminate the teacher are commenced. In the 2006 school year, of 112 teachers on the TIP program, 57 successfully completed it while the remainder who did not successfully complete the program left the Department.

The Department's records indicate that at 1 August 2007:

- thirty teachers were placed on alternative non-teaching duties pending an investigation into allegations of a child protection nature
- four casual teachers were removed from employment pending an investigation into allegations of a child protection nature
- eleven teachers were placed on alternative non-teaching duties following criminal charges being laid
- six teachers were suspended without pay following criminal charges being laid
- twelve teachers were placed on alternative non-teaching duties as they were deemed inefficient and pending disciplinary action.

Annual School Reports

The new format Annual School Reports (ASRs) were trialled in the 2005 ASR cycle, evaluated, and then implemented for all schools for the 2006 cycle. The new format provides principals and school self-evaluation committees with a more rigorous reporting framework with greater flexibility as to what, when and how the content should be presented to parents and the school community.

Schools are required to report on progress towards targets during the previous year and identify targets and indicators of success against those targets in the ASR. These targets are specifically tied to the School Plan which is a key document for the accountability of the school principal to the School Education Director.

The Department and the New South Wales Teachers Federation (the Federation) reached a negotiated position on reporting elements prior to release of templates and support materials for the 2006 ASRs without recourse to the Industrial Relations Commission.

The main point of contention for the Federation remains the potential for reporting of comparative information. The latter could enable or encourage ranking of schools. The Department has developed Like School Groups to provide a comparative backdrop of schools with similar socio-economic status composition and remoteness from community facilities.

Reporting of comparative information will remain optional while further development or refinement of comparative groups continues. The Federation has provided strong advice to schools that they should not use the comparative data in reporting to the community through the ASR.

Student Suspensions and Expulsions

The following is a list of long suspensions with reasons provided:

Reasons for long suspensions	2005		2006	
	Total	% of Total Long suspensions	Total	% of Total Long suspensions
Physical violence	5,388	48	***5,852***	***47***
Persistent misbehaviour	4,194	37	***4,857***	***39***
Serious criminal behaviour related to school	668	6	***684***	***6***
Possession or use of a suspected illegal substance	467	4	***374***	***3***
Use or possession of a prohibited weapon, firearm or knife	339	3	***361***	***3***
Use of an implement as a weapon or threatening to use a weapon	160	1	***198***	***2***
Total	**11,216**		***12,326***	

Source: DET Statistics.

In 2006 the number of long suspensions increased by 9.9 per cent compared to 2005. Physical violence and persistent misbehaviour accounted for 86.8 per cent of total long suspensions.

The Year 7 to 10 students accounted for 71 per cent (72 per cent in 2005) of the long suspensions.

There were 295 student expulsions in 2006 compared to 356 in 2005.

Sick Leave

During the 2006-07 financial year, the Department lost over 511,000 working days (492,000 in 2005-06) due to staff on sick leave at a total cost of $119 million ($113 million). This excludes temporary teachers' sick leave and related costs as the relevant sick leave data is not available. Based on full time equivalent staff numbers, each employee took on average 7.6 (7.4) days of sick leave, better than the public sector average of 8 days per annum. The Department advised that it has not determined sick leave targets given the favourable comparison of its absentee rates with the rest of the public sector.

OTHER INFORMATION

Department

We identified some minor opportunities for improvement and reported them to management.

Schools

For the school financial year ended 30 November 2006, we audited financial transactions at 57 primary schools, seven high schools and eight special purpose schools.

We identified opportunities for schools to improve their internal controls and general compliance with Departmental guidelines. We have written to the relevant school Principals about these matters. Many of our findings were similar to those of the previous year. The Department has told us that they communicate common findings to all schools and direct them to take corrective action.

Public Private Partnership Projects for New Schools

In December 2005 the Department finalised a $177 million contract to privately finance an additional ten NSW government schools. The 30 year contract is to design, finance, construct and provide certain operational services. These schools are located in the western, north-western and south-western sectors of Sydney as well as the Hunter and Central Coast regions.

The schools will be built on Department land and leased to the service provider, who will sublease the site back to the Department.

The first two schools under this project, Ashtonfield Public School and Halinda Special School were completed and opened in January and April 2007. Actual enrolments were 200 and 85 against potential maximum enrolments of about 450 and 96 respectively. As at June 2007 the Department has recognised $15.4 million as assets with a corresponding liability. A further five schools are to be completed in 2008 and the remaining three by early 2009. This will result in a further recognition of about $90.8 million of assets.

Under the agreement, the Department will pay the contractor $10.7 million per annum CPI indexed, which includes the repayment of finance lease liability, financing costs and regular service costs for all ten schools.

The Department has advised us that savings in the order of 23 per cent over traditional Department delivery methods of individual tenders and contracts were achieved.

Email in Schools

As of the last week of June 2007 in Term 2, approximately 2,203 schools were using the Department's email service. This increased to 2,234 schools in Term 3 (July to September 2007). During Term 2 (April to June 2007), 67,578 individual school staff (57 per cent of total staff) used the Department's email service. This is an increase of over 7,000 individual staff users from Term 1 (February to April 2007).

The email system has been operational for four years since August 2003. With the lifting of the NSW Teachers Federation ban the Department began rolling out email to all schools in April 2006. 99 per cent of NSW Public Schools have now implemented the Department's email services.

The contractual monthly service fee for email since August 2003 is estimated at $5.7 million.

The system has the capacity to provide 1.3 million email accounts, accommodating all students and staff in NSW Public Schools and Technical and Further Education (TAFE) colleges. During the 2007 School Term 2, in excess of 219,000 emails were sent from school students to members of staff. Approximately the same volume of email was sent from staff to students. The pattern suggests that there is a rich environment of email communication between students and their teachers. Parents do not have access to the Department's email system. They can send email to and receive emails from school staff.

Within the email system operating in the schools environment, all email transactions on the Department's network are authenticated and logged to an individual. This helps to enable the Department to monitor sites visited by individual users and to investigate potential cases of cyber-harassment. All email transactions in this system are filtered and archived. The archiving of emails allows the Department to investigate allegations of misuse.

School Facilities and Building Maintenance

Last year we reported that the Department's maintenance plans for school buildings had been hampered by significant maintenance backlogs. As a result of the additional funding of $30.0 million in 2006-07, the Department has completed a program of works which reduced the estimated current maintenance backlog to $82.6 million ($114 million in 2005-06). Total school maintenance expenditure significantly increased from $164 million in 2005-06 to $241 million in 2006-07 mainly because of the additional funding by Treasury on current maintenance backlog, increased expenditure on periodic maintenance and urgent repairs to schools.

The Department provides advice to Treasury, as part of the State Budget process, on its Total Asset Management Plan and funding requirements for education facilities. The Department uses proceeds from the sale of surplus land to improve school facilities. In 2006-07 the Department received $6.6 million ($1.7 million in 2005-06) from such sales, meeting both its target and Treasury's requirement of $5.0 million.

Selective High Schools

An additional 600 places have been made available at 15 comprehensive high schools, bringing the Year 7 places to 4,100 for the 2009 year of entry. In comparison entry data relating to 2005, 2006 and 2007 is as follows:

Year of entry	Number of places available	Number of students who sat the test	Students who gained admission	Number of schools involved	Places available with no admissions
2007	***3,527***	***12,239***	***3,442***	***30***	***85***
2006	3,525	12,923	3,447	30	78
2005	3,571	13,487	3,400	30	171

Source: DET Statistics.

The number of students who sat the test, declined from 13,487 in 2005 to 12,239 in 2007 i.e. a decrease of 9.3 per cent while student admissions increased by 1.2 per cent. In 2007, 85 places were available with no admissions. The Department advised that vacant positions were due mainly to unavoidable circumstances such as places offered but not accepted or positions allocated to Aboriginal and Torres Strait Island students but not filled or students who have not demonstrated that they are highly gifted and talented.

Asbestos in Schools

To identify schools that may have asbestos in its premises, a contract to survey asbestos has been recently tendered and is due to be completed by April 2008. During the survey a risk assessment of all identifiable asbestos contained materials will be completed in accordance with WorkCover requirements and Australian Safety and Compensation Council Guidelines and Codes of Practice for Asbestos Management.

The asbestos component of the Hazardous Material Register is planned to be available electronically and incorporated into each school site. This data will also be accessible on the Department's Asset Management System which is due for completion in mid 2008.

Planned Computer Systems Replacement

Last year we reported that the Department's Learning Management and Business Reform (LMBR) program will replace its finance, payroll and human resources systems and the school management system over the next four years. The project incorporates all state government schools, the Department's regional and state office locations and NSW TAFE institutes.

The Department is currently engaged in the procurement for Phase One, and it will soon enter into contract negotiations. Until a contract is negotiated and finalised, timeliness and costings cannot be disclosed. The Project is to be financed internally.

A governance body is in place to provide direction and oversight to the LMBR program. We will continue to review its implementation and monitor its progress.

Back To School Allowance (BTSA)

BTSA cheques are provided to parents in February of each year at $50 a child who starts school in each calendar year. At 30 June 2007 there were approximately 153,000 unpresented BTSA cheques of $9.1 million relating to the previous four years payments. This amounts to 4.2 per cent of the total amounts paid as BTSA. Of the $9.1 million $3.4 million relates to the current year. The Department has transferred $4.5 million to NSW Treasury as unclaimed monies.

Due to cost and time constraints, the Department does not attempt to ensure that all cheques have been received and cashed by parents until four weeks prior to closure of the BTSA account.

Leave Recording - eLAPS

The Department introduced an online leave system called eLAPS (Electronic Leave Application Processing System) in 2004-05 to improve leave recording. In the past, delays in recording leave taken have resulted in salary overpayments that were difficult to recover.

As at 30 June 2007, 19.6 per cent of all leave applications received from teachers and 18.6 per cent from school administrative and support staff have been submitted electronically through eLAPS. However a large number of leave applications are still recorded on the manual system. This is because the Teachers Federation supports both the manual as well as electronic methods of leave recording. Our testing of teacher leave records found 13 instances of leave not recorded in the Leave Management System.

The Department continues to promote eLAPS in schools by developing programs to educate and train users. A report on eLAPS usage by schools has been developed and provided to Regional Directors to enable them to develop strategies to increase eLAPS usage in their regions. We will continue to monitor usage of the system.

FINANCIAL INFORMATION

Abridged Consolidated Operating Statement

Year ended 30 June	Consolidated		Parent	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000
Employee related	***7,213,992***	6,934,375	***6,343,274***	5,842,856
Operating expenses	***1,601,354***	1,559,980	***1,304,652***	1,268,978
Depreciation and amortisation	***344,972***	324,763	***250,320***	231,068
Grants and subsidies	***189,587***	177,516	***218,762***	202,569
Other expenses	***7,914***	9,569	***7,914***	9,569
TOTAL EXPENSES	***9,357,819***	9,006,203	***8,124,922***	7,555,040
TOTAL REVENUE	***754,361***	744,060	***759,820***	516,051
Gain on sale of non-current assets	***19,055***	4,730	***22,695***	2,385
NET COST OF SERVICES	***8,584,403***	8,257,413	***7,342,407***	7,036,604
Government contributions	***8,753,457***	8,498,095	***7,514,922***	7,257,944
SURPLUS FOR THE YEAR	***169,054***	240,682	***172,515***	221,340

Employee related expenses represent 78.1 per cent (77.3) of total expenditure of the Department. The $501 million increase is primarily due to a four per cent salary increase to teachers in January 2007 and four per cent salary increase to administrative staff effective July 2006.

Abridged Consolidated Balance Sheet

At 30 June	Consolidated		Parent	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000
Current assets	***701,063***	734,138	***572,857***	593,652
Non-current assets	***16,579,540***	16,925,458	***13,616,822***	14,279,315
TOTAL ASSETS	***17,280,603***	17,659,596	***14,189,679***	14,872,967
Current liabilities	***597,637***	606,078	***475,403***	478,934
Non-Current Liabilities	***107,725***	93,758	***107,038***	93,071
TOTAL LIABILITIES	***705,362***	699,836	***582,441***	572,005
NET ASSETS	***16,575,241***	16,959,760	***13,607,238***	14,300,962

The reduction in non-current assets was mainly due to a revaluation decrement of land and buildings of $866 million.

Surplus Properties

At 30 June 2007 the value of surplus properties was $81.7 million. Under the NSW Government's Total Asset Management policy, the Department as part of its 2007-08 Asset Strategy, developed a three year site disposal plan for surplus vacant sites.

For the financial year 2006-07, eighteen school properties that were surplus to the Department's needs and held for sale were sold for $109 million ($13.8 million).

Abridged Program Information

The table below details the Department's consolidated net cost of services by program.

Program Description	2007			2006
	Revenues $'000	Expenses $'000	Net Cost of Services $'000	Net Cost of Services $'000
Pre-school education services in government schools	***2,291***	***26,967***	***24,676***	23,609
Primary education services in government schools	***209,979***	***3,914,192***	***3,720,581***	3,540,557
Secondary education services in government schools	***220,251***	***3,605,629***	***3,346,313***	3,270,002
Non-government schools assistance	--	***9,276***	***9,276***	7,550
TAFE education services	***268,983***	***1,598,234***	***1,332,855***	1,294,854
Grants for education and training services	***11,761***	***172,097***	***160,336***	141,017
AMES	***36,375***	***28,053***	***(8,322)***	(17,859)
ACN 093 230 374 Pty Ltd (Formerly TAFE Global Pty Ltd)	***4,721***	***3,371***	***(1,312)***	(2,317)
Total (all programs)	***754,361***	***9,357,819***	***8,584,403***	8,257,413

Cost of Providing Government School Education

Using departmental statistics of government school enrolments and relevant program costs, some broad trends of cost per student for primary and secondary education over the past three years were:

Year ended 30 June	2005	2006	2007
Actual enrolments **(a)**:			
Primary students	436,551	434,366	***433,398***
Secondary students	305,027	306,049	***307,021***
Total	741,578	740,415	***740,419***
Program costs **(b)**:			
Primary $m	3,434	3,541	***3,722***
Secondary $m	3,125	3,270	***3,348***
Total $m	6,559	6,811	***7,070***
Cost per student:			
Primary $	7,866	8,151	***8,587***
Secondary $	10,245	10,685	***10,904***
Average $	8,845	9,198	***9,548***

(a) Estimated for 2007. Actual enrolment figures were not available at the time of the preparation of this Report.
(b) Program costs are net cost of services for government primary and secondary schools excluding transfer payments. Program costs used in the calculation of cost per student included non-cash items, leave and superannuation liabilities assumed by the Crown Entity.

Since 2005 total student enrolments in government schools has decreased by 0.2 per cent however the average cost per student has increased by 7.9 per cent during the same period.

Cost of Funding Non-Government School Education by the Department

In 2006-07, the NSW Government provided funding to 929 non-government schools (925 in 2005-06). Funding is mainly in the form of a per capita allowance which is 25 per cent of the equivalent cost to the State of educating a student in a government school, and an interest subsidy scheme. Under the *Education Act 1990*, schools must register to be eligible for State funding assistance. Using departmental statistics of non-government school enrolments and relevant program costs, some broad trends of funding per student were:

Year ended 30 June	2005	2006	2007
Average enrolments **(a)**:			
Primary Students	184,598	185,642	***186,005***
Secondary Students	179,063	181,232	***182,676***
Total	363,661	366,874	***368,681***
Program costs **(b)**:			
Primary $m	268.7	286.5	***303.0***
Secondary $m	363.0	372.2	***390.4***
Total $m	631.7	658.7	***693.4***
Funding per student:			
Primary $	1,455	1,543	***1,629***
Secondary $	2,027	2,054	***2,137***
Average $	1,737	1,795	***1,881***

(a) Average enrolments represent those non-government enrolments that qualified and received State recurrent funding. This does not include full fee paying overseas students.
(b) Program costs used in calculating cost per student included per capita grants, interest rate subsidies and assistance to families in meeting costs of students attending non-government schools.

Despite average enrolments increasing by 1.4 per cent over the last two years the costs of funding non-government schools has increased by 8.3 per cent during the same period.

DEPARTMENT ACTIVITIES

The Department co-ordinates the delivery of education and training services in New South Wales from pre-school to tertiary. It is responsible for providing school education, vocational education and training and has certain regulatory and service responsibilities to private schools, private providers of education and training and universities.

For further information regarding the activities of the Department, refer to www.det.nsw.edu.au.

CONTROLLED ENTITIES

Technical and Further Education Commission (TAFE)

Separate comments on TAFE and its controlled entities TAFE Commission Division and ACN. 093 230 374 Pty Limited (formerly TAFE Global Pty Limited) are included elsewhere in this Report.

NSW Adult Migrant English Service (AMES)

FINANCIAL INFORMATION

Year ended 30 June	2007 $'000	2006 $'000
Revenue	***40,290***	47,926
Employee related expenses	***14,849***	13,692
Other expenses	***18,991***	17,150
Surplus	***6,450***	17,084
Net assets (at 30 June)	***16,871***	10,421

The decrease in the surplus is largely due to a $14.0 million superannuation revenue adjustment in the 2005-06 financial year. Fees for services rendered increased by $6.3 million as a result of increased demand for AMES Services.

AMES provides English language learning opportunities for adult migrants and job seekers. The Commonwealth Government primarily funds AMES.

For further information on the Service refer to www.ames.edu.au.