



Appendix three – About the audit

Audit objective

This audit assessed how effectively and efficiently grants to non-government schools are allocated and managed.

Audit criteria

We addressed the audit objective through the following criteria:

1. Does the Department effectively determine eligibility for, calculate and distribute grants to non-government schools/System Authorities?
 - The Department has a clear methodology to allocate grants to non-government schools/System Authorities
 - The Department has a robust process to ensure the accuracy of information used to determine eligibility for and calculate the level of grants to non-government schools / System Authorities
 - The Department properly approves and pays the correct amounts of grants to non-government schools/System Authorities.
2. Are grants being used for their intended purpose?
 - The Department has clear objectives for all grant schemes to non-government schools/System Authorities
 - There is a robust accountability framework to obtain reasonable assurance that grant funding is not being used for unintended purposes
 - The Department takes action in the case of overpayment or when grants are not used for the purpose in which they were allocated.

Audit scope and focus

The audit scope included:

1. NESA's processes to register, and monitor, non-government schools' compliance with the governance and public reporting registration requirements
2. All NSW Government recurrent and capital programs to non-government schools
3. Department processes to collect information, calculate, allocate, approve and/or monitor NSW grants to non-government schools
4. The audit focused on, but was not limited to, the following NSW grant schemes:
 - a) Non-government school per capita payments
 - b) Supervisor subsidy scheme
 - c) NERA non-government school top-up payments
 - d) Building grants assistance scheme
 - e) Interest subsidy scheme.

Audit exclusions

The audit did not:

- examine any Australian Government grants including any National Partnership Programs
- assess the sufficiency of NSW grants allocated to non-government schools
- question the merits of government policies.

Audit approach

Our procedures included:

1. Interviewing relevant staff from the Department of Education involved in managing grants to non-government schools and relevant staff from the NSW Education Standards Authority involved in monitoring compliance with school registration requirements.
2. Examining
 - policies and procedures for determining and allocating grant funding
 - the Department's methods to validate information received from schools and System Authorities
 - information on the objectives for each grant scheme and reporting arrangements
 - outcomes of audits to verify the not-for-profit status of non-government schools
 - policies and procedures for inspecting compliance with registration requirements
 - outcomes of inspections of non-government schools' compliance with registration requirements.

The audit approach was complemented by quality assurance processes within the Audit Office to ensure compliance with professional standards.

Audit methodology

Our performance audit methodology is designed to satisfy Australian Audit Standards ASAE 3500 on performance auditing. The Standard requires the audit team to comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance and draw a conclusion on the audit objective. Our processes have also been designed to comply with the auditing requirements specified in the *Public Finance and Audit Act 1983*.

Acknowledgements

We gratefully acknowledge the co-operation and assistance provided by the staff at the Department of Education and the NSW Education Standards Authority.

Audit cost

Including staff costs, travel and overheads, the estimated cost of the audit is \$305,000.