

# Review of the Commonwealth's Assurance Processes for Payment of the Student with Disability Loading

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# Executive Summary

## Overview

The Nationally Consistent Collection of Data on School Students with Disability (NCCD) was an initiative of the Council of Australian Governments in 2008 to improve the national data on students with disability (SwD). When the NCCD was established, it was not intended to be used for funding but rather to provide a consistent national count that was not based on the differing state and territory definitions used for funding purposes.

The use of NCCD data to determine loadings for Commonwealth funding to schools was a logical progression for the NCCD. However, the change was not without risks. NCCD data is subjective, relies on self-reporting and its association with funding introduces the potential for manipulation and perverse outcomes. Accordingly, a sound assurance framework is required to validate the quality and accuracy of the data.

In 2017, the Australian National Audit Office reported on *Monitoring the Impact of Australian Government School Funding* (ANAO Report)<sup>1</sup>. A key recommendation was for the Department of Education (the Department) to “establish a risk-based approach to monitoring compliance”. It is clear the Department has made significant progress in addressing the findings and recommendations contained in the report.

Further, the approach to the collection and assurance of NCCD information has progressed significantly over this period, and these processes are continuing to evolve. The use of NCCD data to calculate a school’s Australian Government funding allocation was introduced from 2018. The Department has made significant investment and progress in preparation for changes to the use of NCCD data and the associated assurance processes.

The Department now has in place an assurance framework and sound assurance practices for providing assurance over NCCD data. Key elements of the assurance approach are a significant investment in training and materials to assist in quality and accurate data complemented by post lodgement assurance processes. Investment in both the front end and back end processes has been significant and many areas for further development have been identified. Importantly, the Department has adopted a risk-based approach to implementing further developments to ensure initial effort is directed to areas of highest priority.

The alignment of sector requirements for determining and recording support for SwD with those of the Commonwealth offers the greatest potential for cost effective administration and assurance. This alignment has been facilitated by national collaboration through the Education Council’s Joint Working Group to Provide Advice on Reform for Students with Disability (JWG). Where schools recognise the value of NCCD processes in assisting them to meet statutory obligations and to provide support to SwD, data quality will be improved. Early indications suggest that this alignment is possible with some jurisdictions well advanced in incorporating NCCD Guidelines into their own decision making and recording systems.

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<sup>1</sup> [Australian National Audit Office report 18 of 2017. Monitoring the Impact of Australian Government School Funding](#)

## Findings

In my opinion, the Commonwealth NCCD assurance processes are soundly based, comparing favourably with best practice, align with the requirements of the *Australian Education Act 2013* (the Act), and the Australian Education Regulation 2013 (the Regulation) and NCCD Guidelines. Importantly, these processes are conducted, and their further development is planned within a risk-based assurance framework. The framework seeks to ensure an appropriate level of assurance is undertaken, while identifying any gaps or duplication of effort.

In my opinion, both the nature and extent of assurance activities are appropriate to determine funding has been accurately calculated and provided. Reporting on the use of these funds is currently limited, although further transparency is expected to be addressed in the National Schools Resourcing Board's *Review of Needs Based Funding Requirements*. Reporting of NCCD data at an aggregated level is provided through the *Report on Government Services* and the *Annual National Report on Schooling in Australia*.

Due to the considerable sum of money that the Australian Government invests in education, it is important that there are sound assurance mechanisms to ensure that the funding provided is used in accordance with the legislative requirements. In my opinion, recent investment in NCCD assurance is commensurate with the Commonwealth's investment in the loading. However, as outlined in this report, I consider future investment in NCCD assurance should be determined according to risk.

## Observations:

I have made two observations and noted a further point for consideration.

In my view the Department should:

- further develop the risk-based approach to assurance, implementing identified improvement opportunities
- adopt a continual improvement approach to assurance, monitoring the outcomes of assurance and compliance activities to inform future assurance activities.

In my view the Department should consider:

- publication of further disaggregated NCCD data.

## Objectives

The objectives for this report were outlined in the Department's Approach to Market Reference ID: ED18/034070 as follows:

In 2018, the Department of Education and Training used for the first time the NCCD as an input to calculate the Commonwealth's student with disability loading.

The purpose of the project is to review the Commonwealth's assurance processes (including accountability of approved authorities for accurate reporting) for payment of the loading. Specifically, the project aims to investigate:

- How do Commonwealth NCCD assurance processes compare with best practice, including aligning with the requirements of the Act and its regulation and NCCD Guidelines?
- Are Commonwealth processes to assure funding for the student with disability (SwD) loading:
  - appropriate to determine funding has been accurately calculated and provided and its use correctly reported; and
  - commensurate with the size of the total Commonwealth investment in school education?

The project will:

- identify best practice assurance arrangements appropriate for supporting the accuracy of information provided to calculate a school's allocation for the Commonwealth's SwD loading
- examine the Commonwealth's assurance process relating to the accuracy and accountability of NCCD information provided by approved authorities for the purposes of calculating a school's allocation for the Commonwealth's SwD loading, including the Commonwealth's process to identify changes in reported NCCD between levels of adjustment and over time
- provide an assessment of the Commonwealth's assurance processes to inform the SwD loading calculations against recognised best practice assurance. The assessment should also take into account the Department of Education and Training annual Post Census Enumeration (PE) exercise and its existing financial assurance processes
- have regard to current validation activities underway (or planned) by the Department of Education and Training and the JWG to provide advice on reform for students with disability.

## Approach and methodology

This report is provided in response to the Department's request for an assessment of the Commonwealth assurance processes for the student with disability loading. The report is not an audit or review as prescribed by the Australian Auditing and Assurance Standards. It reflects my own views, based on reviews of documents and discussions outlined.

My review was undertaken using a combination of meetings and discussions with Departmental staff and key stakeholders as well as reviews of documentation, websites and reports. I acknowledge the openness, commitment and generosity of all officers with whom I met. In addition to meetings and discussions with Departmental officers, I also met with people from:

- Australian National Audit Office
- ACT Education Directorate
- Catholic Education NSW
- PWC
- Western Australian Department of Education
- Association of Independent Schools of Western Australia (AISWA)

Several documents and websites were reviewed. Key documents included:

- [Australian National Audit Office report 18 of 2017. Monitoring the Impact of Australian Government School Funding](#)
- [NCCD 2019 Guidelines, Education Council](#)
- NCCD Assurance Pilot 2017, PWC, July 2018
- Report 476: Australian Government Funding, JCPAA, February 2019
- [Evaluation of the Student-Centred Funding Model, Nous Group and the CIRES, 29 August 2018](#)
- Nationally Consistent Collection of Data Gap Analysis Workshop Final Report, Urbis, March 2019
- Assurance Framework, Australian Government Department of Education, Schools and Youth Cluster, June 2019
- [National School Resourcing Board Review of the loading for students with disability Submission by The Independent Schools Council of Australia \(ISCA\), August 2019](#)

The following addresses my review of the assurance processes. Specific questions asked in the objective are identified separately within the review.

## Background

From 2018, NCCD data has been used to calculate a school's Australian Government funding allocation. NCCD data for government and non-government schools is reported to the Australian Government Department of Education and Training as part of the annual Australian Government Schools Census.

Initiatives to improve the quality of data submitted to the NCCD have been progressed over the years. However, data quality has taken on a new level of significance now that NCCD data directly impacts school funding.

NCCD data differs from that used for other, more prescriptive loadings like the number of students or a school's location in that it is subjective, based on teacher judgements. The combination of subjective assessments and self-reporting provides specific challenges for assurance.

## Jurisdictions, sectors and schools

While schools have provided NCCD data since 2015, many previously saw this as a requirement of the Commonwealth that was not particularly easy to use or aligned to their own processes for providing support to students with disability. A report<sup>2</sup> prepared for the Western Australian Department of Education (WA Department) in 2018 observed that "The process to determine funding to support students with disability is perceived to be inconsistent, time-consuming and incomplete". It further recommended that the WA Department "explore alternative options for assessing educational adjustment requirements, including the use of the Nationally Consistent Collection of Data (NCCD)".

Discussions with the WA Department confirmed that this recommendation has indeed been adopted. Discussions with other sectors and reports to the Department confirmed that sectors and schools are also increasingly adjusting their practices, processes and systems to better align with NCCD requirements. This is a very positive development.

Catholic Education in NSW recently demonstrated to the Department the significant investment they have made in embedding NCCD Guidelines within their systems for determining, recording and reporting on support provided to SwD.

While a systems approach will not suit all sectors, there are significant benefits for the Commonwealth and for sectors when the NCCD is seen as a useful process that aligns with their own requirements and obligations rather than as an externally imposed compliance exercise.

The capacity to align support systems and processes with NCCD requirements is greater for state and Catholic school sectors than for Independent schools. In the Independent school sector, NCCD data is submitted directly by schools, with the Associations of Independent Schools having only a limited view. Nevertheless, alignment of school and NCCD requirements offers benefits for all sectors. All sectors will have an interest in minimising administrative burdens, and they all need to meet legal obligations.

Schools need to meet a range of requirements in providing support to SwD. Key among these are the statutory requirements of the *Disability Discrimination Act 1992* (DDA) and the Disability Standards for Education 2005 (DSE). The URBIS<sup>3</sup> report identifies the importance of the link between NCCD, DDE and DDS. "Engagement in the NCCD is enhanced when contributors understand the purpose,

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<sup>2</sup> [Nous Group and the CIREs | Evaluation of the Student-Centred Funding Model | 29 August 2018](#)

<sup>3</sup> Nationally Consistent Collection of Data Gap Analysis Workshop Final Report, Urbis, 18 March 2019

context and value of the collection. Understanding the link between the DDA, the DSE and the NCCD is key.”

Feedback from schools and sectors about the training materials available on the NCCD portal was overwhelmingly positive. Given the diversity of schools and their geographic spread, the portal is an invaluable means of providing consistent training, support and messages to schools. I received consistent feedback about the value of case studies. Discussions confirmed that decision making around evidence, level of adjustments and category of disability can often be difficult. Guidance was useful and case studies were singled out for praise as a particularly practical and useful aid to making difficult NCCD decisions. Schools would welcome further case studies.

A further positive aspect of aligning schools, sectors and the Commonwealth’s requirements was the sense of ownership reflected in discussions about the NCCD. The participation of jurisdictions in the JWG has also contributed positively to jurisdictions’ approach to NCCD.

Discussions with sectors highlighted the diversity of schools and particular challenges for some in providing accurate, quality information for the NCCD. In many cases, the desire to provide accurate quality data is not matched by capacity. Sectors cited as an example the challenges for small, remote schools with sometimes inexperienced staff. The support available for these schools is often limited and this is particularly the case for Independent schools. Regardless of particular circumstances, diversity is an element of our schools that will contribute significantly to the quality of NCCD data. Urbis have usefully identified areas for improvement in this regard as clarity of purpose, leadership, perception of value, knowledge and understanding and consistency of application. Recommendations have been made in each of these areas to strengthen the operation of the NCCD. Many of these recommendations required agreement and engagement from the JWG.

## Joint Working Group to Provide Advice on Reform for Students with Disability

The work of the JWG was noted as a positive influence for jurisdictions. The increasing alignment of sector and school systems and processes with those of the Commonwealth offers significant benefits. The involvement of jurisdictions and sectors in the JWG allows them to contribute to systems and processes and to see the NCCD as a useful process that aligns with their own requirements and obligations rather than as an externally imposed compliance exercise.

It is difficult to overstate the importance of the JWG to the NCCD. The JWG had early involvement in defining the model for a nationally consistent dataset about students with disability and developing a plan for implementation. Since then, the JWG has been involved in Continuous Quality Improvement Projects involving PWC working directly with teachers and school leaders to understand schools’ application of the data collection model and processes in place to support students with disability.

The JWG work plan for 2019 identifies the following activities to support systems and schools’ implementation of the NCCD:

- development of the NCCD portal
- publication of NCCD Data
- develop 2019 NCCD Guidelines
- NCCD Teacher Judgement Project
- NCCD Gap Analysis Project.

Projects under consideration include the development of guidelines and templates to assist schools with evidence collection.



A collaborative approach is considered essential for the development of the NCCD and its associated assurance practices. This approach fosters a sense of ownership amongst participants, which is important given the significant difficulties and overhead associated with collecting, assuring and reporting NCCD data. The approach seeks to achieve best practice and will also assist in implementation as tools are developed with the involvement of all education authorities.

Significant effort has been devoted to building capacity within schools and feedback suggests this will need to continue. The JWG has played an important role in the collaborative approach between the Commonwealth and education authorities. This approach will be important going forward, particularly with the implementation of the assurance framework.

## Objectives:

- How do Commonwealth NCCD assurance processes compare with best practice, including aligning with the requirements of the Act and its Regulation and NCCD Guidelines?
- Are Commonwealth processes to assure funding for the student with disability (SwD) loading:
  - appropriate to determine funding has been accurately calculated and provided and its use correctly reported
  - commensurate with the size of the total Commonwealth investment in school education?

## How do Commonwealth NCCD assurance processes compare with best practice ....?

The term “best practice assurance” suggests there might be one right, correct or best way to conduct assurance in a given circumstance. While that is not the case, assurance practices certainly need to consider the subject matter and risks applying in the circumstances as well as standards and processes relating to and promoting audit quality.

There are a range of factors that impact on the appropriate form of assurance relating to the collection of NCCD data.

Elements of a better practice assurance framework to suit these circumstances will need to consider self-reporting, data quality and the impact of gaming. A better practice framework would need to consider both the data collection process and the follow-up or assurance processes post lodgement. The starting point for this framework will be the identification and understanding risk. Risk assessment is key to determining not only the assurance processes, but also areas of priority in resource allocation.

While I will focus below on assurance activity, it is important to note that better practice will require these to be conducted in a continuous feedback loop, with steps such as:

- development of a risk-based assurance plan
- implementation of assurance activities
- assessing and reporting compliance outcomes
- follow-up action where compliance has not been achieved
- continuous improvement and feedback.

## A Risk Based Assurance Plan

The issue of risk is fundamental to many of the questions asked in the objectives for this report. It forms the basis of better practice assurance, impacts the accuracy of information provided and,

importantly, addresses the question about whether Commonwealth assurance processes are commensurate with the size of the Commonwealth's investment in school education.

The key element in designing a better practice framework will be the identification and understanding of risk. A risk-based approach is considered essential for a regulatory function. Auditors can audit endlessly, so a framework is needed to focus and limit effort. Resources applied to assurance are always finite and need to be given particular attention in the context of public funds.

Accordingly, it is my view that the Department should:

- further develop the risk-based approach to assurance, implementing identified improvement opportunities.

### What are the risks?

As with any area, risks relating to NCCD are unique and require specific consideration.

Some of the risks attendant to government grants are mitigated by the nature of NCCD funding. Payments are made to schools through state and territory governments, providing a measure of control and co-regulation and reducing or removing the risk of individuals seeking personal benefit through fraud and misappropriation.

The key risks to be addressed are therefore those that threaten the accuracy of information provided to calculate a school's allocation for the Commonwealth's SwD loading. Risks will vary across sectors and schools.

### Population Risk

In developing an assurance program, better practice will require first the identification of the regulated population, and then stratification according to different characteristics that will impact risk.

In the case of NCCD, the Department has in my view correctly identified different levels of risk relating to the different school sectors.

While the risks associated with Australian Government funding to the states and territories cannot be eliminated, the risks of fraud and non-compliance are reduced. States and territories provide most of the public funding for government schools, with the Commonwealth providing supplementation. The states and territories also have different characteristics in terms of systems and controls. They also undertake a number of their own assurance and compliance procedures. Further examination of these procedures is warranted and planned. However, it is acknowledged as a lower priority.

In a similar way, the characteristics and risks associated with Catholic and Independent schools need to be considered in developing an appropriate assurance framework.

In its submission<sup>4</sup> to the NSRB Review, the ISCA notes the unique characteristics and funding challenges faced by independent schools. These unique characteristics and risks appropriately inform the assurance framework.

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<sup>4</sup> [National School Resourcing Board Review of the loading for students with disability Submission by The Independent Schools Council of Australia \(ISCA\), August 2019](#)

While the assurance framework applies to all schools within the population, individual assurance procedures need to recognise the different characteristics of schools, sectors and jurisdictions within the overall population.

## Compliance Risk

The Department's Assurance Framework features a compliance continuum adapted from the Ayres and Braithwaite responsive compliance model. The continuum ranges from those who have made a conscious decision to comply to those who have made a conscious decision to be non-compliant or are reckless about their obligations.

I have referred to the risks associated with NCCD data being subjective and relying on self-reporting. Self-reporting, when used to determine funding allocations could be seen to provide an incentive for "gaming" the system to increase funding. Indeed, there are many factors within the NCCD data collection where teachers, classes or schools could see an incentive to report a higher level of adjustment for students than guidelines would require.

As a positive finding from my readings and interviews, the overwhelming majority of schools and sectors demonstrated significant effort to comply with the requirements and to meet their obligations, not only in NCCD reporting, but in meeting the requirements of the DDA and the DDS.

However, it was also evident, that despite the desire to get NCCD data "right", the capacity to do this varied significantly. While the Department's framework usefully draws a distinction between those who wish to comply and those who do not, an equally important consideration in the NCCD context is those who have the capacity and motivation to provide quality, accurate NCCD information, and those who do not. This distinction is important, as capacity can be improved by training and materials. This will be considered further below under input controls.

## Aligning with the requirements of the Act and the Regulation and NCCD Guidelines?

### Legislative compliance

Processes for NCCD collection and reporting need to align with the requirements of the Act and its regulations.

Many of the statutory requirements relating to NCCD collection are shared with more general requirements and those relating to loadings more generally. These are addressed in the Department's assurance framework and include items like the Financial Questionnaire Verification Process and the Compliance Certification.

Assurance processes specifically addressing the NCCD collection have their basis in the NCCD Guidelines which specify:

- which students approved authorities for schools must report on in 2019 for the NCCD, for the purposes of section 58A of the Regulation
- the information that approved authorities for schools must provide to the national collection agency (the Australian Government Department of Education and Training (the Department)) in 2019 in relation to those students, for the purposes of section 58A of the Regulation
- the day by which that information must be provided to the department, for the purposes of subsection 52(3A) of the Regulation.

Controls over input/collection and data validation processes described in the following sections are based on compliance with the NCCD Guidelines, recognising the requirement to comply with these statutory requirements.

## Are Commonwealth processes to assure funding for the SwD loading appropriate to determine whether funding has been accurately calculated?

### Controls over input/collection

Controls over collection and reporting aim to provide assurance about the integrity of NCCD information, including completeness and accuracy.

While the self-reporting approach to data collection presents challenges, it is the only realistic means of obtaining the necessary information under current requirements. Several controls over data collection are evident, including some validation of data on entry, declarations of accuracy and, in the most recent collection, follow-up contact to the school to gain further assurance about the data.

In the case of NCCD information, controls over data collection are in part designed by the Department and in part a matter for schools and authorities. Controls over data input in collection are nevertheless important aspects in gaining overall assurance about NCCD information. Controls include guidance and training on classifications; segregation and controls over entry; authorisation and attestation as well as quality assurance processes prior to submission. While these elements are all present in the Department's NCCD assurance processes, the provision of guidance and training is of particular importance.

An obvious but important aspect of NCCD data is the value of getting accurate, quality information on entry. Better controls and quality at the front end of the process significantly reduce the amount of assurance effort, follow-up and re-work associated with the identification of mistakes errors at the back end.

As noted in findings, feedback from consultations with schools and sectors as part of the project indicate there is evidence of increasing focus on NCCD, better understanding of its value and an increasing alignment of systems and processes with NCCD. There has been significant investment from the Australian Government and all education sectors in developing resources and delivering training to school staff in the application of the NCCD model. There has also been significant investment in the NCCD website and portal. Training and materials that have been developed are sound and have been welcomed by schools and sectors, with positive feedback about quality and usefulness of the materials provided.

The moderation process was cited as a useful means of improving understanding of requirements and overall data quality. There is a lack of consistency in both application and approach to moderation that will require further development over time.

It is difficult to overstate the importance of training and materials to schools. The NCCD Portal has clearly been of great benefit. Schools welcome the training and materials provided, with consistency of training noted as a key success factor.

### Data Validation

Processes for validating information post collection aim to provide assurance about the integrity of NCCD information, including completeness and accuracy.

The Department has a range of assurance practices to validate the integrity of NCCD information submitted. Key among these is the annual Census Post Enumeration (PE) process.

The annual PE process is the primary means of assurance about the accuracy of information provided by non-government schools used to calculate the school's Australian Government

recurrent funding allocation. The importance of this exercise takes on a new perspective when NCCD data is the basis for distribution of substantial funding. Validation of the accuracy of information provided is particularly important in a self-reporting environment. These processes provide assurance about the data and checks provide an important reminder to stakeholders that all information submitted will be subject to review.

The Department has obtained advice in the NCCD Assurance Pilot conducted by PWC<sup>5</sup> about developing a best practice post enumeration and audit approach for implementation from 2018. Positively, the assurance pilot found the majority of schools were meeting the four areas of evidentiary requirements set out in the NCCD Guidelines. Elements of the best practice have been adopted with further elements under consideration by the Department and the JWG. As PWC have comprehensively addressed opportunities for improvements to this process, I will not seek to duplicate that process here. I will however make comment on the process going forward.

I have emphasised the importance of devoting effort to the front-end collection process, particularly guidance and training. The PE and ancillary processes will continue to form an important component of the assurance framework. As efforts are devoted to improving data quality, the PE process will provide valuable intelligence about the success or otherwise of these efforts. Further, the existence of a follow-up review is critical in this subjective, self-reporting environment as a deterrent to gaming. While schools and sectors advised of their efforts to comply and provide quality, accurate data, they were also aware of the PE/PWC processes, referring to them as “audits”. These “audits” undoubtedly provide incentives for schools. It is therefore important that they can expect questions when data submitted varies significantly from past years or comparable schools/sectors. A random element is also required so that all schools are aware they could be audited at any time.

The Department’s current PE methodology incorporates targeted risk-based and random sampling. This is entirely appropriate. PWC have identified the need to update the PE sampling methodology to take into consideration use of the NCCD data for loading calculations. A review of the sampling methodology is reflected in the work program under the Department’s assurance framework. In my view, sampling will need to be revisited each year after assessing risk for the populations identified and assurance activity outcomes.

### Assessing and reporting compliance outcomes

It is important to recognise that the PE and associated assurance activities provide valuable insights and intelligence as well as assurance about compliance.

The use of NCCD to calculate a school’s funding allocation together with increased focus on NCCD through training, information and support materials has undoubtedly had an impact on reported results. Where reported results differ significantly from prior years, the reasons for changes will not be immediately apparent. Where increased focus and training has prompted a more rigorous and informed assessment, changes will be welcome as they represent a more considered approach, more accurate information and potentially a better assessment of individual student support. Alternatively, changes will not be welcome if revised funding arrangements and increased focus has inadvertently provided perverse incentives. Accordingly, post enumeration assurance activities provide an essential feedback mechanism to assist the Department to determine whether individual assessments are supported by sufficient, appropriate evidence.

Ideally, self-reported information would be compared to an external benchmark to validate its accuracy and confirm data quality. This is clearly not possible with the first time use of NCCD data to calculate loadings. Data analytics will nevertheless identify variations from past years and between

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<sup>5</sup> NCCD Assurance Pilot 2017, PWC, July 2018

jurisdictions, sectors and schools. In some cases, there will be legitimate reasons for variations. The PE processes provides a direct line of sight between evidence and results, assisting in the identification of reasons for variations.

### Follow-up action where compliance has not been achieved

Any regulatory function will need to have consequences for non-compliance. For the most part, evidence and discussions I encountered suggested the overwhelming reason for non-compliance was a lack of capacity or understanding rather than deliberate or reckless non-compliance. Nevertheless, given the size and diversity of the population of schools, the framework will need to cater for all outcomes.

As the Commonwealth is a funder, formal sanctions under legislation are limited to withholding or seeking return of funds. While such sanctions are provided, they are counter to the Government's and therefore the Department's overall objective to provide needs-based funding to schools. It will be useful and important to remind schools, authorities and governments that these sanctions exist. However, I acknowledge the practical difficulties associated with such an approach.

I have noted that post enumeration assurance activities provide a deterrent to providing information that is inaccurate or lacking appropriate evidence. Schools are aware of "audits" being conducted and seek positive outcomes from these processes.

I understand the Department has taken serious action when this is warranted and note these actions can extend to withdrawal of funding, revoking of approved authority and potentially criminal charges and prosecution.

## Are Commonwealth processes to assure funding for the SwD loading commensurate with the size of the total Commonwealth investment in school education?

There has been significant investment by the Australian Government and all education sectors in developing resources and delivering training to school staff in the application of the NCCD model. The Department has also invested significantly in conducting reviews, including the Assurance Pilot, Gap Analysis and data validation project. The development of an Assurance Framework and changes in approach further evidence commitment to assurance. Based on the level of investment to date and the results emerging from the reviews, it is my view that the assurance processes are commensurate with the Commonwealth's investment in this area of school education. However, there will always be room for further assurance and the potential for assurance activities is endless. Determination of the appropriate assurance activities and the level of investment in them is best made by considering outcomes to assess the level of identified risk against the risk tolerance. In this regard, the Department needs to continually assess emerging findings.

### Continuous improvement and feedback

A risk-based assurance framework depends on continuous assessment of risk informing the development and execution of assurance activities.

As noted, data analytics alone will not provide answers about whether further/better training is needed, or alternative assurance activities are needed. Assurance outcomes will inform an assessment of the level of identified risk against the risk tolerance. This information is critical to determining the assurance program going forward.

In addition to considering emerging risks and threats, a continual improvement approach will also enable the Department to consider new tools and approaches.

It is my view that the Department should:

- Adopt a continual improvement approach to assurance, monitoring the outcomes of assurance and compliance activities to inform future assurance activities.

## Are Commonwealth funding for the SwD loading...and its use correctly reported?

Reporting on the use of loadings was a focus of the ANAO report and the Department's subsequent reports to the JCPAA. I note the Department has established mechanisms to evidence the specific legislative requirement for approved authorities to have a needs-based funding arrangement. This approach is likely to be refined following the Board's Review of Needs Based Funding Requirements. The following addresses transparency in relation to NCCD data.

### Transparency

The requirement for transparency is a core element of the legislation and featured in the ANAO report. There are of course specific concerns about identifying people with disability, with protections also incorporated into the legislation.

The NCCD Information notice<sup>6</sup> details privacy arrangements required in compliance with the *Privacy Act 1988* and the Regulation. The notice also advises that NCCD data is reported publicly through the *Report on Government Services* and the *Annual National Report on Schooling in Australia*. However, the information is aggregated at a high level. There is currently no public reporting at school level. In my view it is timely to reconsider enhancing transparency and accountability by publishing NCCD data at school level.

In the State and Catholic sectors I met with, information on student classifications from individual schools was shared. With this arrangement, schools behind the firewall of their own sector can compare their own NCCD data with that of their peers. As would be expected, schools reported favourably on the value of this information, prompting questions about outliers or changes over time. As with moderation exercises, this focus improved data quality.

Independent schools are at a disadvantage in this regard as individual schools submit NCCD data directly, with the Associations of Independent Schools having a limited view of the data.

In an assurance context, transparency provides additional incentives and controls over the accuracy of information. In a self-reporting environment, transparency is important as it can result in many more "eyes" reviewing information than will ever be possible through assurance and review processes. In general, quality of data is improved when it is available widely in contrast to that developed in isolation. Reporting NCCD data at school level offers two clear advantages in an assurance context.

1. Publicly reported information is subject to scrutiny, providing additional incentive to provide accurate, quality information.
2. Comparative information would be available to all schools, prompting further analysis and discussion that will promote improved data quality.

However, a shift to public reporting is not likely to be welcomed by all. Indeed, the history of improved transparency through My School is marked by considerable debate and polarised views.

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<sup>6</sup> [NCCD Information Notice May 2019](#)

Examination of this matter is beyond the scope of this report. However, it is clear that early plans for My School included proposals to publish disability data that did not proceed. In 2016, Children and Young People with Disability Australia (CYDA) made a submission<sup>7</sup> to ACARA expressing considerable concern about a proposal to provide data on the number of students with disability, level of reported adjustment and 'disability type' of students in each school. At the time, CYDA expressed concern about the quality of data provided through the NCCD, in part based on early trials and evaluations. It may be timely to revisit these objections.

While I have outlined advantages from an assurance perspective, a proposal to publish NCCD data at school level will undoubtedly have opponents. Clear advantages have been observed within jurisdictions where schools can view comparative data. The subjective nature of NCCD brings challenges. It will therefore be important to consider all reasonable opportunities to improve the accuracy and quality of data.

Further debate and discussion on this matter will be required. The Board has in place consultative mechanisms and the matter would require consultation with the JWG. Ultimately, it will be necessary to determine whether the advantages of the proposed increased transparency are outweighed by the disadvantages.

Nevertheless, from an assurance perspective it is my view that consideration should be given to publication of further disaggregated NCCD data.

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<sup>7</sup> [Children and Young People with Disability Australia submission to ACARA June 2016](#)



## Consultation paper—Review of the loading for students with disability

It has been useful to consider feedback from the Board’s review of the loading for students with disability. This discussion paper includes a series of focus questions including, “Are Australian Government assurance processes, undertaken to support the accuracy of information provided to calculate a school’s Australian Government funding allocation relating to students with disability, appropriate and sufficiently robust and how might they be effectively improved?”

Much of the feedback validated issues the Board and the Department are aware of and working on. However, there are also some useful messages and reminders for assurance processes.

The challenges of providing accurate NCCD data featured strongly in the feedback. Submissions consistently referred to the time and effort involved in the process, but also the difficulty for teachers. Responses indicated that despite the investment to date, concerns about the capacity of teachers to make the judgements required for NCCD continue.

Feedback consistently referred to the need for teachers to teach rather than be involved in seemingly bureaucratic paperwork exercises. Responses also questioned whether teachers had the training and/or skills required to make NCCD judgements.

The above messages are not new. Indeed, they have formed the basis of much of the Department’s efforts related to training and materials for schools. Almost ironically, some feedback encouraged efforts to streamline processes and improve training materials while others pointed to continual changes to processes in recent years. Finding a balance here will be important.

The messages also align with feedback I received from consultation with sectors. Accordingly, I have emphasised the importance of devoting assurance effort to the front-end collection process, particularly guidance and training. Importantly, sectors consistently reported improvements in data accuracy and efficiency in collection over time as training and materials improve. Positive feedback was received about the Portal and training materials, particularly the case studies. However, there were calls for further efforts in this area, providing strong support to continue investment in training and materials.

### Assurance Feedback

Feedback specifically focused on assurance processes was also useful. Positive aspects included recognition of the need for and value of assurance processes. Comments included:

- “...appreciates that the NCCD Census post enumeration process is evolving and the Australian Government will continue to refine the process”
- “...acceptance by school leadership teams that there will continue to be a high degree of scrutiny and accountability”
- “...supports the need for audits”
- “...assurance process is obviously important”.

Less obvious, but nevertheless present, were some compliments about assurance processes, PWC audits and the use of Credible Classroom Practitioners.

Critical comments about assurance processes can provide improvement opportunities and guidance in developing further processes. Parties subject to audit are not always best placed to judge the merits of these processes. However, they can provide useful feedback. Following are key areas of feedback worthy of consideration.

## Perceived auditor competence

The competence and credibility of auditors was questioned.

- “...financial auditors (KPMG) who do not have qualifications or experience in education, learning, program assurance”
- “...auditors not having a thorough understanding of disability or the NCCD model”
- “...auditors do not fully understand the subtle connections between disability, functional impact and reasonable adjustments”
- “Auditors may also have limited knowledge of the structures of schools.”

Suggestions that auditors should be expert in either education or disability are clearly unworkable in auditing a sector of this scale. These skills are not needed to perform the audit function. Nevertheless, perception of the competence of auditors and audit processes are important elements if schools and sectors are to see value in the exercise and to accept and act on findings. The messages suggest audit teams need adequate training and understanding of the subject matter—a key element of any good audit. A further message is the need to ensure schools have realistic expectations and a good understanding of the audit process. Entrance and exit briefings can be of particular value in this regard.

## Audit Feedback

The need for training featured strongly in submissions, with some extending this to responses on assurance:

- “Post-enumeration processes will be most effective when they perform a dual role—compliance as well as promoting best practice and building the capacity of school staff”
- “...would value a shift from quality assurance related to the accuracy of the NCCD count to a focus on quality instructional practices.”

Auditors understand the need for independence and the risk that processes will be compromised if they endeavour to assist schools while undertaking assurance processes. However, there is demand for feedback and recognition that building capacity in schools is a key element contributing to quality NCCD data. Audit processes should therefore, where possible include sufficient feedback to provide schools the opportunity for improvement. An example of this feedback was that provided to schools by PWC in conducting the NCCD Assurance Pilot 2017. Opportunities to provide such feedback should be incorporated into the development of assurance processes.

## Consistency and evidence

As noted, parties subject to audit are not always best placed to judge the merits of these processes. Calls for more consistency need to be assessed in this light as differences that suit circumstances will always exist in a risk-based approach and auditors should not perform unnecessary procedures just to achieve consistency. Nevertheless, perceptions such as the following need to be considered:

- “...the goal posts in terms of evidence appear to be very fluid”
- “There needs to be consistency between what the auditors are assessing.”
- “...differing approaches adopted to aid the assurance process is confusing for schools”
- “...audit processes appear to be inconsistent across the sector”
- “The PE census audit was inconsistently applied across the four schools. The process seemed to evolve school by school.”

There are explanations behind some of these comments, as the Department and its contractors have changed approaches and trialled new methodologies to benefit the sector. Balance will be needed here as feedback calls for improvements, while at the same time expressing concern about changes.

It will however be important for schools to be made aware of the assurance objectives, and that these remain consistent. As noted above, communication with schools about the audit will assist in both clarifying the audit role and managing expectations.

Central to the issue of consistency is the nature and extent of evidence required to support decisions and to survive an audit. The Department and PWC have given significant focus to this issue yet concerns about what is required remain within schools. Continuing engagement with the sector will be needed to communicate requirements and ensure these provide adequate documentation to meet assurance purposes without being overly burdensome for schools.

## Other

Less pervasive, but nevertheless important messages included the need for:

- providing adequate notice of audits in the interests of all parties, as planning allows for preparation of necessary documentation and efficient time allocation
- special consideration to be given to schools serving highly disadvantaged communities and special schools or special assistance schools. This suggestion warrants consideration as a consistent model that caters for the overwhelming majority will not be diminished by particular arrangements for special schools and circumstances.