

Department of Education and Training

Building the Education Revolution in Queensland State
Schools

Supplementary Report to the Minister for Education and
Training December 2010

Part 2 – Detailed Analysis



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This is Part 2 of our report which consists of 3 parts that should be read together. The other two parts are:

Part 1 – Executive Summary

Part 3 - Appendices

Detailed Analysis

Scope of work

PricewaterhouseCoopers was engaged by DET on 29 March 2010 to perform an independent examination of BER Program¹ in Queensland state schools and to report our findings to the Minister².

As part of the work for our July 2010 Report³ we investigated complaints and concerns referred to us. A number of complaints and concerns could not be included at that time because we required further information to conclude those specific investigations. This Supplementary Report addresses these matters.

The Minister has also requested that we include in this report an examination of the level of DET's compliance with the BER Guidelines in relation to the 2009 and 2010 Sustainability Reviews of small schools.

Our approach

In this Supplementary Report, we have adopted the same approach as we did in our July 2010 Report.

For each of the complaints and concerns we have considered whether or not:

- value for money⁴ has been achieved
 - in terms of economies, efficiencies and effectiveness
- procurement has been undertaken in accordance with Queensland Government policies
 - in accordance with the Queensland Capital Works Management Framework⁵

Where the project has not achieved value for money, we have also considered whether the project has wasted taxpayers' funds.

¹ The BER Program was established by the Australian Government to provide economic stimulus and build learning environments in schools. Approximately 1200 state schools in Queensland have received funding under the program

² The Minister for Education and Training (Queensland)

³ Building the Education Revolution; a Report to the Minister for Education and Training July 2010 (the July 2010 Report)

⁴ We have applied the Value for Money framework described in section **Error! Reference source not found.**

⁵ The Capital Works Management Framework is the policy for managing risks in the planning and delivery of government building projects.

Our process

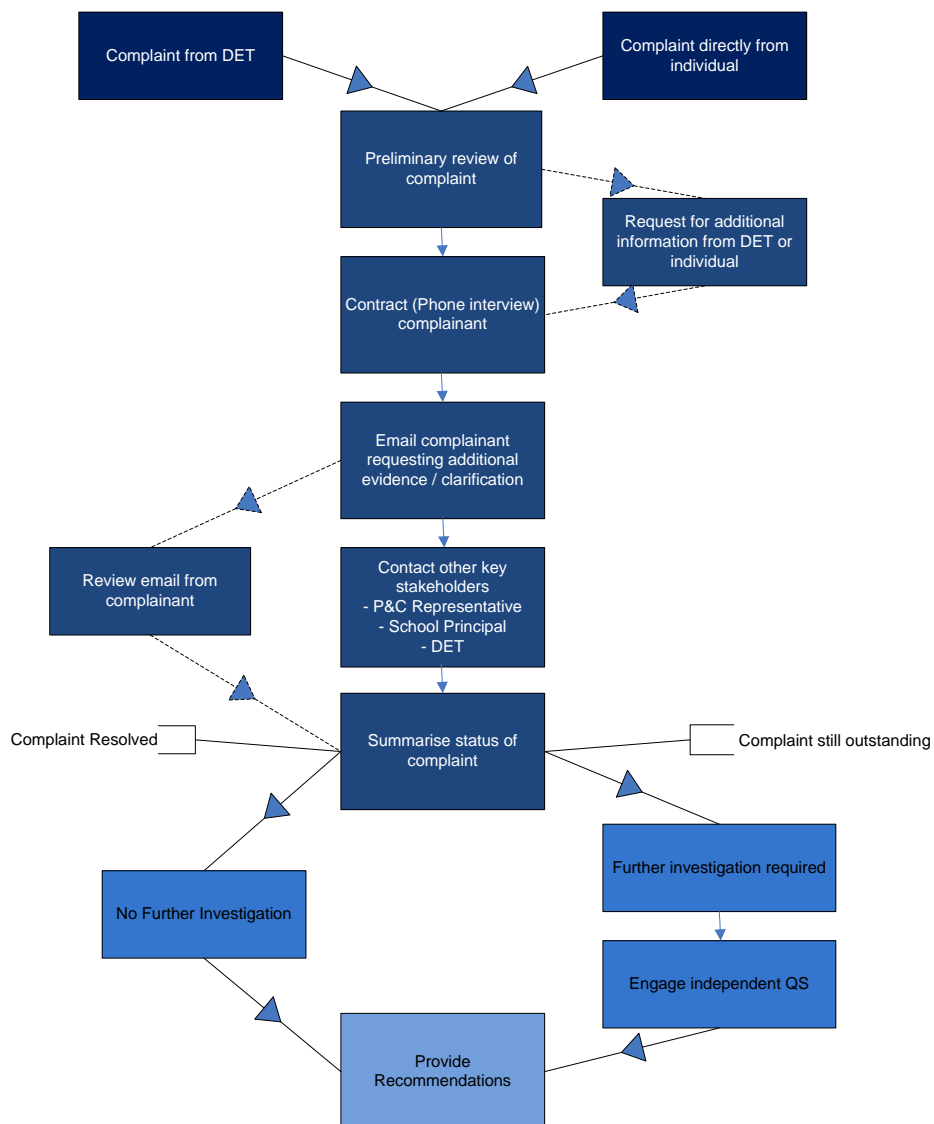
As requested by DET, we investigated complaints received by:

- 1 establishing a contact point for receiving complaints
- 2 examining documented evidence
- 3 reviewing each complaint and project documents
- 4 providing a report to the Minister on findings
- 5 providing recommendations to the Minister

Our complaints handling process

The following flow chart sets out the process we adopted:

Figure 1 - Complaints handling process



Value for money

Assessment of value for money

In this Supplementary Report we have adopted the same approach as we did in our July 2010 Report.

In the BER Program, public money is being invested by the Australian Government on behalf of the Australian people in order to:

- provide economic stimulus through the rapid construction and refurbishment of school infrastructure
- build learning environments to help children, families, and communities participate in activities that will support achievement, develop learning potential, and bring communities together.

For all procurement, including the BER Program, the Queensland Government requires each agency to seek to obtain value for money in its procurement:

“The concept of value for money is not restricted to price alone. The value for money assessment must include consideration of:

- *contribution to the advancement of priorities of the Government*
- *non-cost factors such as fitness for purpose, quality, service and support, and sustainability considerations*
- *cost related factors including whole-of-life costs and transaction costs associated with acquisition, use, holding, maintenance, and disposal.*

The relative importance given to each of these elements when making a value for money decision will flow from the supply strategies developed as part of the agency’s procurement planning process. These supply strategies may be developed for both individual procurements and for particular categories of procurement.⁶

In the BER Program, there are many stakeholders with different expectations of benefits and views on the best use of public funds. Each of these stakeholders is likely to form a different judgement of whether there is evidence of value for money even when the facts are agreed. We believe that value for money in the eyes of such a diverse spectrum of interests can best be described in terms of the “three Es”: effectiveness, efficiency and economy:

- Effectiveness - obtaining the optimum benefit
- Efficiency - delivering the benefit for optimum time or effort
- Economy - optimising use of resources to minimise expense.

⁶ Extract from the Queensland State Procurement Policy 2010 section 3.3

This “three Es” framework helps in appreciating that in evaluating value for money some level of balance or compromise may be required. For example, an overemphasis of achieving lowest cost (economy) may compromise the objective of realising the benefit (effectiveness) in the shortest possible time (efficiency). In particular, where a program such as BER has multiple objectives, each project needs to balance carefully the three aims of effectiveness, efficiency and economy.

Summary of complaints and concerns

The following tables list the complaints and concerns included in this Supplementary Report:

Table 1 – Complaints and concerns relating to schools

School	Report page	Summary of complaints and concerns	Current situation	Date of initial concern
Mount Crosby State School	11	<p>School representatives have raised concerns that the school will not receive a fully enclosed school hall, which is their highest priority.</p> <p>There are also concerns regarding the management of the project.</p>	<p>The negotiated and agreed approach provides an open structure with two walls that only partly meets the school's immediate requirements and will result in additional expenditure to meet long term requirements.</p> <p>We are advised by DET that communications difficulties between the parties have been addressed.</p>	July 2009
Glenore Grove State School	17	<p>The school community does not believe it has received the best value for money from its investment in air conditioning for the new resource centre and for playground equipment including play forts.</p>	<p>The facilities are complete and in use.</p> <p>Based on information provided by the Project Manager the selection of split system air conditioning was a lower cost option than a ducted system.</p> <p>The school community may have been able to achieve some cost savings by managing the procurement of the playground equipment themselves.</p>	June 2010

Table 2 – Concerns raised by private citizens

Complainant	Report page	Summary of complaints and concerns	Current situation	Date of initial concern
Craig Mayne	21	<p>These private citizens expressed a variety of concerns relating to the BER Program in relation to conduct of the program and value for money.</p>	<p>We have considered each concern and where possible provided an assessment of the extent to which we have found it to be evident in Queensland state schools.</p>	March 2010
Greg Applin	31			April 2010

Table 3 – Concern referred to us by DET

School	Report section	Summary of concern	Current situation	Date of initial concern
All schools under sustainability reviews	9	<p>Various media have reported concerns regarding the allocation of funds to schools planned for amalgamation or closure.</p> <p>DET requested that we carry out an independent assessment of its compliance with the BER Guidelines in relation to Queensland state schools that are the subject of sustainability reviews.</p>	<p>We found that DET has complied with the BER Guidelines.</p> <p>We also found that the funding criteria in the BER Guidelines have resulted in some significant anomalies with these small schools.</p>	July 2010

Mount Crosby State School

Background

Mount Crosby State School is located in the suburb of Mount Crosby, 30km west of the Brisbane city. In February 2009, for BER funding entitlement purposes, there were 654 students enrolled at the school.

In line with BER Guidelines Mount Crosby received funding approval under Round 3 of the Primary Schools for the 21st Century element for \$3,000,000 for a new resource centre and multi-purpose hall.

The Construction Manager selected a Building Contractor in early August 2010 and work commenced on site on 8 September 2010.

Nature of the concern

The P&C President and the School Principal raised concerns regarding the management of the project and the nature of the facilities to be constructed. The school community does not believe the proposed investment represents the best possible value for money for the school.

Their concerns are summarised below. Following each concern expressed by the school we have included information supplied to PwC by DET relevant to the concern:

- As a school of almost 700 students, Mount Crosby received the same funding as a school of 401 students
 - *Under the Primary Schools for the 21st Century program (P21), any school with more than 401 students was in the higher range of the funding band. Schools such as Varsity College, North Lakes State College and Upper Coomera State College, each with around 1800 primary school enrolments received the same funding as Rainworth State School, a school with 401 students. Mt Crosby State School has 654⁷ and therefore was allocated the same funding as a school with 401 students. This was one of the well publicised and understood conditions of receiving this once-in-a-lifetime funding. Refer to the BER Program Guidelines⁸ p5.*
- Because Mount Crosby does not have a school hall, and there is no community hall in the locality, the school community considers its highest priority to be a multi-purpose school hall
 - *As stated on page 7 in the BER Program Guidelines⁹, the first priority for P21 funding is to be used for the construction of new libraries/ resource centres. Where a school had a library that is smaller than Department of Education and Training (DET) current standards, the requirement was for a new resource centre to address this issue and meet the standards*

⁷ all figures quoted are the February 2009 enrolment data, which was used for BER funding

⁸ http://www.ais.sa.edu.au/__files/f/2441/BER%20Program%20Guidelines.pdf

⁹ http://www.ais.sa.edu.au/__files/f/2441/BER%20Program%20Guidelines.pdf

- The proposed resource centre is smaller than the minimum size recommended under EQ standards. Although the hall is of sufficient size, it is only enclosed on two sides and is being built to outdoor facility standards. Additional funds will have to be raised to complete the hall as an indoor facility
 - *While the school's current resource centre is undersized according to DET's current standards and BER guidelines, the two areas being used by the school as libraries have a combined floor space which is in excess of the DET standard.*
 - *While there is currently no community hall in the area, the design framework provided to the Construction Manager was to deliver the first stage of a larger project which maximises the surface area of the building and allows for full enclosure at a later date when the school accesses other sources of funding. The school's P&C specifically requested that the largest surface area be provided as Stage 1.*
- DPW requirements for Pre Qualified Contractors did not permit use of the building company that had previously worked on a Master Plan for the school to undertake construction
 - *The school's preferred consultant/contractor was asked to submit offers for both design and construction stages, however they declined to take up the opportunity.*
 - *The school had previously commissioned a design for a large hall which was reviewed by the Construction Manager. The school's design was a split level combined hall/resource centre of 2,400sqm. An indicative estimate of \$6.9m was received for the school's design which significantly exceeded the Australian Government allocated funding under the BER program which is \$3 million.*
 - *Following consultation with the school it was determined that the only way forward within the limits of the Australian Government's funding was to significantly reduce the scope of the hall and to design a new hall that was partially enclosed. This will allow for enclosure at a later date should further funding become available. This partially enclosed hall will be fit for purpose and used for many activities at the school and by the local community.*
- School representatives felt the time for consultation with the DET was short and that they were being pressured to make decisions too hastily and to accept what was being offered
 - *Representatives from both the Construction Manager and the Central Office of DET, as well as the Project Coordinator have spent a significant amount of time with the school in order to accommodate their requirements for the funding. The strict timeframes were imposed on DET to ensure the completion of all BER projects within the Australian Government guidelines.*
- Sustainability principles that the school incorporated into their own proposed design are not in the final proposal as they did not fit the EQ template
 - *It is a DET standard practice to incorporate a significant amount of sustainability principles. These principles range from lighting and ventilation, through to water harvesting for use in amenities. It is also a requirement of Australian Government funding that the principles of sustainability are incorporated in the design of the BER buildings.*
- School representatives believe that the cost of the partially enclosed hall is high when compared with complete facilities built recently in other schools in the area.

- *On 11 May 2010, it was decided by the Project Control Group to proceed to tender using the existing schematic design documentation in order to obtain realistic prices for the delivery of the solution. The school Principal was advised of that decision on the same day. The project was sent to tender on 1 June with tenders closing on 8 July 2010.*
- *All four contractors that tendered were over budget. The lowest tender was \$60,000 over budget. The Construction Manager subsequently negotiated with the lowest tenderer and met with the school to discuss options to bring the project within budget.*
- *The final cost was reviewed by an independent audit Quantity Surveyor to confirm value for money before the tender was accepted by DET. This independent cost review is a critical process of DETs delivery system for the BER program.*
- *The school principal and P&C have endorsed a final design for the hall and have advised the Project Coordinator and the Construction Manager to proceed in accordance with the general intent of the design in the Project Definition Plan as tendered.*
- *The site at Mount Crosby has required land fill, retaining walls, piered footings and extended site services due to the site being less accessible and sloping.*
- *Construction commenced on-site on Wednesday 8 September 2010. Construction is proceeding and no further issues were raised by school representatives at a recent construction meeting.*

Analysis

How this situation has arisen

The priorities set by the Australian Government for the BER Program require that any school that does not have a resource centre or library of a minimum standard must first allocate funds to a new library.

We have identified significant conflicting priorities amongst the key stakeholders, summarised as follows:

- The school community
 - wished to have the freedom to invest the funds to deliver a facility which in their opinion best meets the needs of the school. However, the facility described in the school Master Plan would have cost significantly more than the funds available to the school under the BER Program, and therefore could not have been delivered under this program
 - wished to give the local company that had prepared the Master Plan for the school (and which is a strong supporter of the school) an opportunity to tender for the construction work
 - believed the school has greater need for a multi-purpose school hall than for a new resource centre (library), However this preference conflicted with the priorities set out by the Australian Government under the BER Program (see below)
 - wished to receive the best outcome it could within the available funds.

- The Australian Government
 - established specific priorities for all schools for investment in particular types of facilities as a pre-condition to allocation of funds under the BER Program:
 - Funding can be used for capital expenditure on the following items (in order of priority):
 1. construction of new libraries;
 2. construction of new multipurpose halls (e.g. gymnasium, indoor sporting centre, assembly area or performing arts centre) or, in the case of smaller schools, covered outdoor learning areas;
 3. construction of classrooms, replacement of demountables or other building to be approved by the Commonwealth; or
 4. refurbishment of existing facilities.
- DET
 - is required to comply with the BER Guidelines regarding precedence of investment
 - has established standards for state school facilities
 - is required by State Government policy to follow procurement methodology for the BER Program, which includes engaging only suitably accredited contractors through a tender process
 - is expected to meet Australian Government deadlines for BER projects
- The Construction Manager
 - was expected by DET, who notified them of their appointment on 4 January 2010, to complete the Project Definition Plan (PDP) within five weeks of the first meeting on site, and to commence construction works within twelve weeks following approval of the PDP
 - wishes to efficiently manage and coordinate its portfolio of BER projects
 - is constrained to deliver the project for a fixed fee for its own services and manage the building contractor to construct the facilities within a fixed budget.

A compromise solution

Given the constraints placed on the options available to the school, the parties agreed to adopt a compromise solution.

In order to apportion the available funds to include a resource centre and a hall, the school is proceeding with a small resource centre (to conserve funds) and applying the remaining funds to construct an open structure with sufficient floor area that, when it is ultimately converted to a closed hall, will meet more of the school's needs and be large enough for use as a community hall.

To achieve this, the school has chosen the minimum size of resource centre that, when considered in addition to the existing library, complies with DET standards. The school will receive a partly enclosed 'hall' with two walls, built to outdoor specifications.

DET have advised that historically multipurpose halls in a number of instances have been constructed in a series of stages, depending on funding.

Consideration of value for money

The present construction scenario represents a compromise reached following protracted negotiation, and school representatives remain dissatisfied with both the proposed facility and the negotiation process. The school's intention is to enclose the hall as soon as funding permits as the school firmly believes that enclosing the hall brings benefits disproportionate to the additional cost of doing so.

Effectiveness - obtaining the optimum benefit.

- The BER Program priorities, which are different from the school's priorities, have resulted in an outcome that the school community does not believe will achieve optimum benefit from the investment.

Efficiency - delivering the benefit for less time or effort

- Given that the strong preference of the school to build a fully enclosed hall as described in the school Master Plan could not be accommodated under the BER Program, considerable additional time and effort was required to negotiate an alternative approach that aligns with the BER Program priorities and guidelines and is within the allocated funds.

Economy – optimising use of resources to minimise expense

- The Audit Quantity Surveyor has considered the tendered costs and has certified that:
"We have reviewed the recommended tender submitted through the Construction Manager. Based on the information provided, we confirm that the tender from <the contractor that submitted the lowest price offer> represents value for money and is recommended for acceptance given the nature and status of the project and the delivery system in place for this stage of the BER program."

Consideration of use of taxpayers' funds

The conversion of the facility from its proposed outdoor configuration, to an indoor configuration will:

- cause additional costs specific to the change in configuration to be incurred, and
- lead to a total cost for an enclosed hall that will be greater than would have been necessary if the hall had been able to be built in a fully enclosed state in a single construction phase.

Accordingly, while the proposed approach with respect to the hall complies with the Australian Government's BER Guidelines and funding, we believe it is reasonable to question whether the two-stage approach to constructing a school hall represents better value for money than could have been achieved by expending all available BER funds on a complete school hall in a single-stage construction.

However compliance with the BER Guidelines and funding available meant that such an option was not available. Taking this factor into account, it would be reasonable to conclude that there has been no waste of taxpayers' funds in this instance.

Procurement

Procurement for this project has been undertaken in accordance with the Construction Manager methodology, which is an approved methodology within the Capital Works Management Framework.

Our conclusions

- DET has undertaken procurement in accordance with relevant Queensland Government policy¹⁰.
- While the school had a strong preference to build a hall in line with its pre-existing Master Plan, the cost of building such a facility significantly exceeded the funds available to it under the BER Program.
- The compromise solution agreed to by the school and DET complies with the BER Guidelines and provides the school with the opportunity to complete a hall, once the school is able to access additional funds, that is closer to the functionality of its preferred facility.
- However, had it been possible to obtain a relaxation of the BER Program priority requirements to better meet the needs of the school, greater value could potentially have been achieved by constructing only a school hall.

Opportunities for improvement

The parties have arrived at a negotiated position to the best of their ability given the differing interests of the parties and constraints of the BER Program and State Government policies and standards. For any different outcome to be achieved we believe it would be necessary for one or more of the constraints to have been removed.

Other considerations

Removal by DEEWR of the order of precedence for types of facilities would have allowed schools to choose to invest their funds in the type of facility that best meets their particular needs.

¹⁰ We have been advised by DET that : *"In the case of Mt Crosby, the solution required the equivalent of a RES2 resource centre for a 401+ student population - 383m2. The m2 solution for Mt Crosby is the sum of the new resource centre - 273m2 - and the existing library ~ 110m2. In arriving at the solution, the BER design team kept the m2 for the new resource centre to the minimum so that the school could direct the maximum balance of funding to their hall, which was the school priority. The 273m2 would have to have been added to the existing library even if an extension (instead of new construction) had been chosen."*

Glenore Grove State School

Background

Glenore Grove State School is located in the suburb of Glenore Grove, 85km west of the Brisbane city.

In February 2009 there were 149 children enrolled at the school.

In line with BER Guidelines Glenore Grove State School received funding approval of the Primary Schools for the 21st Century (P21) element for a new library for \$850,000 and the National School Pride (NSP) element for upgrade to existing play fort areas for \$75,000. The facilities are now complete.

Nature of the concern

The P&C President at Glenore Grove State School initially raised concern over an *“apparently incorrect allocation of NSP funding”*.

The P&C President expressed other concerns regarding the resource centre in response to the survey conducted by us for our July 2010 Report.

NSP project – playground equipment

The school received NSP funding for the replacement of three old wooden play forts, and accompanying shade structure, with two new play forts in a different location.

The P&C President sent an email to the Hon Ian Rickuss MP, Member for Lockyer, asking for assistance to resolve a situation where the contractor responsible for the NSP work for the upgrade to the existing fort areas had the understanding that the total funding was \$65,000 when in fact approval of \$75,000 had been granted to the school.

The P&C President was seeking an explanation of how the additional \$10,000 has been spent.

P21 project - resource centre

In the P21 project to build a resource centre, the school had to pay a high price for air conditioning. This situation arose because the decision to fund air conditioning could not be made until it was clear that there would be unspent contingency funds near the end of the project. The P&C President expressed a view that if the school had been able to install ducted air conditioning during construction the overall cost would have been less than the cost of later installing multiple split system air conditioning units.

NSP and P21 projects

The P&C President advised us that with the exception of a load of soil for landscaping there was no work given to local contractors.

Analysis

NSP project – playground equipment

The school became aware of the apparently missing amount of \$10,000 because of a conversation with the sub-contractor engaged by the Project Manager to supply and install the play forts. In that conversation the Principal and the P&C President were informed by the sub-contractor that he had been given a maximum budget of \$65,000 to supply and install the equipment. Subsequently, the Project Coordinator described the difference between this amount and the \$75,000 as “management fees” for the successful tenderer, Fixed Constructions, to engage a sub-contractor to supply and install the play forts.

We have not been able to verify the precise amount actually paid by DET as management fees in this instance because the tender is a lump sum and consequently there is no cost breakdown shown on invoices rendered to DET by the Project Manager. As this was a lump sum contract there was no requirement for the contractor to provide a breakdown of the price.

The Director-General provided the following explanation to the Senate Estimates Committee B – Education and Training on 14 July 2010: *“The tender for the \$75,000 was a competitive tender process. The person who won that tender then subsequently subcontracted that to an installer of playground equipment. There was a belief at the school that there was a discrepancy of \$10,000; however, that was not the case. The tender was won at \$75,000. The school signed off on what the scope of that tender was, and that subsequently went to the market. The fact that the playground equipment itself was delivered for \$65,000 is a matter for the person who won the competitive tender and who delivered it at a price less than what he had tendered for through various means.”*

We have been advised by DET that: *“In recognition of the smaller nature of National School Pride (NSP) projects the Department of Public Works (DPW) invited expressions of interest from smaller consultant organisations to perform the joint roles of project manager, architect and quantity surveyor on NSP projects based on a geographically clustered basis. A flat cost consisting of approximately 3.5 per cent project management and 7 per cent for design, documentation, procurement, and contract management (10.5 per cent in total) was developed for a range of services after analysis of a previous call for tenders.”* (Note 1)

In the case of the play forts the maximum project management fee in the case of Glenore Grove NSP project would be \$2,625, and the fee for design, documentation, procurement, and contract management would be \$5,250; being a total of \$7,875.

The works were initially planned to commence onsite on 4 January and be completed on 1 February 2010, but were not completed until July 2010.

P21 Project – resource centre

The tendered price for the resource centre included a contingency amount of \$71,850 to provide for unforeseen costs.

The P&C President considers that to install ducted air conditioning in the ordinary course of construction would have cost approximately \$20,000¹¹. The old library had air conditioning installed using funds raised by the P&C, so the school community believed that the new facility should also include air conditioning.

As the project neared completion, but too late to install a ducted system, the school purchased split-system air conditioning units from the remaining contingency at a cost of approximately \$44,000.

PwC requested DET to confirm these cost estimates. DET provided PwC with a copy of email correspondence from the Project Manager (Tracey Brunstrom and Hammond Pty Ltd) advising that the estimated cost of a ducted system for this facility was \$54,869 and the cost of a split system configuration \$47,603.¹²

Based on the cost estimates provided by the Project Manager we conclude that the selection of the split system was more cost-effective than a ducted system.

Consideration of value for money (NSP and P21 projects)

- Effectiveness - obtaining the optimum benefit
 - P21 - The school has received a library that meets design requirements and standards and has been described by the P&C President as “*very good*”.
 - NSP - The school has accepted the play forts and they are now in use.
 - Both P21 and NSP: The objective of providing work for local contractors as part of the economic stimulus appears not to have been met for the community of Glenore Grove¹³.
- Efficiency - delivering the benefit for less time or effort
 - NSP: The P&C managed the removal of the old play forts with volunteers from the school community. The P&C could have managed procurement and installation of the play forts because it was a very small project. Better coordination and communication could have avoided the deprivation of use of the old play forts because of miscommunication about the installation date of the replacements.
- Economy – optimising use of resources to minimise expense
 - P21: Although the perception of the school community is that the library facilities were too costly, the independent Audit Quantity Surveyor verified and signed off on the actual construction costs (for the P21 project) as representing value for money. The decision to select split-system air conditioning was based on cost, being approximately \$7,000 less than the cost of a ducted system.
 - NSP: The playground equipment has been delivered and installed in accordance with the tendered quote. The apparent margin between the reported cost of the equipment and the full installed price, described by the DET Project Coordinator

¹¹ This figure was provided by the President of the P&C. No written supporting evidence was provided. The figure has not been independently verified by PwC

¹² We have not independently verified the information provided by Tracey Brunstrom and Hammond Pty Ltd.

¹³ Based on information provided by the P&C President. We have not determined whether there were any pre-qualified contractors in the Glenore Grove community that could have performed any the work.

as “management fees” is consistent with the with DET guidelines for project management fees for smaller NSP projects (see Note 1 on p 32).

Consideration of use of taxpayers’ funds

NSP: At first sight it would appear that a minor project such as the procurement of play forts could potentially have been carried out by the P&C Committee, thereby saving some money.

We note that it is DET’s policy that all project management should be contracted to third parties so that the school Principal is not distracted from the business of running the school. DET has also indicated to PwC that, in the case of the construction of playground equipment the engagement of a third party as Project Manager is an appropriate approach to management of risk.

Taking these two factors into account, it would be reasonable to conclude that there has been no waste of taxpayers’ funds in this instance.

Procurement

DET has undertaken procurement for this project in accordance with the Design and Construct methodology, which is an approved methodology within the Capital Works Management.

Our conclusions

- The maximum project management fee in the case of Glenore Grove NSP project would be \$2,625, and the fee for design, documentation, procurement, and contract management would be \$5,250; being a total of \$7,875. The apparent margin between the reported cost of the equipment and the full installed price is in accordance with DET guidelines for management fees for smaller NSP projects.
- We believe it would have been possible for the school to self-manage the playground project, subject to an assessment of risk.
- Based on the information provided by the Project Manager the resource centre has been provided with split system air conditioning at a lower cost than a ducted system.
- DET has undertaken procurement in accordance with relevant Queensland Government policy.

Opportunities for improvement

We recommend that DET consider the way that small expenditures are managed, for example through allowing for very small projects to be managed by school communities, with only minor impact on the workload of the school principal.

Private citizen – Craig Mayne

Background

Craig Mayne communicated to DET and to us multiple concerns regarding the BER Program. Mr Mayne was involved in the Holland Park State School P&C from November 2006 to November 2009, including serving as P&C President.

Mr Mayne advised us in a meeting on 26 May 2010 that he had no specific issue with the Holland Park State School and was not making a complaint on behalf of the school. He is no longer involved in that school and is acting as a private citizen.

DET requested that we review the matters raised by Mr Mayne and provide comments. Mr Mayne provided a number of documents, including correspondence with a range of other parties. We have also considered elements of the submission by Mr Mayne to the Senate Education Employment and Workplace Relations Committee enquiry into Primary Schools of the 21st Century Inquiry, and the transcript of Mr Mayne's appearance before the Committee.

Where possible, we have examined primary source documents as well as data provided directly by key stakeholders to ascertain the relevant facts rather than rely on secondary sources.

We interviewed Mr Mayne on 26 May 2010. Mr Mayne was accompanied by Mr Applin.

We have also interviewed and sourced relevant documents from senior officers of:

- Department of Education and Training
- Department of Public Works (DPW)
- Queensland Master Builders Association (QMBA)
- Independent Audit Quantity Surveyors appointed by DET/DPW

Concern specifics – Craig Mayne

The following section sets out Mr Mayne's concerns, based on his correspondence and the records of the meeting on 26 May 2010. This report does not include concerns relating to Holland Park State school that have previously been considered in our July 2010 Report.

Mr Mayne stated that schools are not aware of what infrastructure is being proposed to them under the BER Program

We found evidence in the project documents for the schools we examined in detail for our July 2010 Report that the school Principal and P&C President had signed off on the Project Development Plan (PDP). This plan includes the cost summary, schematics for the facility, room data sheets and details of the infrastructure the school is to receive. It is the primary document used as a control point for the project definition.

In responses to the survey carried out for our July 2010 Report, we noted that some schools stated they were not given sufficient time to fully consider and understand what they were to receive.

We noted that the cost summary pages in the PDP do not require individual sign-off, which might provide further assurance that the school representatives have been made aware of costs. In the 25 schools that we examined in our July Report we were, in every case, able to verify approval of costs in a meeting minute or in correspondence.

A similar concern raised by Mr Applin is dealt with below.

Our conclusion

This concern has been an issue in some schools, and there remains some risk that it could occur in some of the remaining projects.

We have already highlighted the need to provide additional support for some schools in our July 2010 Report¹⁴.

In this Supplementary Report we have noted two further opportunities for improvement¹⁵:

- school representatives should be given adequate time to properly consider planning documents to ensure that they truly reflect the requirements of the school within the permissible options
- Project Coordinators should be coached in appropriate communication techniques to ensure that they have the ability to communicate effectively, especially when under pressure to resolve issues..

Mr Mayne stated that the Pre Qualified Contractor (PQC) system operated by Department of Public Works (DPW) creates an environment where a cartel can exist

A cartel exists when businesses, instead of competing, agree to act together in a way that defeats competition. This is designed to drive up the profits of cartel members while maintaining the illusion of competition. Four types of conduct are defined as cartel behaviour. These are bid rigging, price fixing, market sharing or output restrictions. It is common for cartels to employ more than one strategy at any given time.

The ACCC acknowledges the vulnerability of public sector organisations to cartel behaviour:

Government bodies are large purchasers and make easy targets for cartels. While a private purchaser can be flexible in choosing their purchasing strategy, government is generally constrained by legislation and detailed administrative regulations. Accountability requires transparency of processes and disclosure of information. Ironically, these same accountability and disclosure requirements can

¹⁴ July 2010 Report Page 9

¹⁵ These Opportunities for Improvement are included in the Executive Summary on page 8

*provide colluders with the necessary information they need to establish, maintain and enforce a cartel*¹⁶.

Mr Mayne raises a specific instance of potential cartel behaviour in the BER Program in Queensland as follows:

*“Construction Manager*¹⁷ *fees of 6 per cent were a price fixing arrangement put in place by Construction Managers working together with the QLD Master Builders Association (QMBA)*¹⁸”

We have interviewed representatives of the QMBA and DPW and examined documents provided in relation to this issue.

We have been advised by QMBA that:

- the level of the fee was determined by DET and set as a condition of tendering in the selection process for Construction Managers
- the role of the QMBA was to facilitate discussions between its members and officers of DPW so that issues and risks relevant to all of the parties associated with this new role could be better understood
- QMBA was not involved in establishing the level of the fee.

We note that the ACCC has interviewed QMBA *“regarding potential concerns under the Trade Practices Act 1974 (the Act) in respect of the procurement processes for the Construction Management of projects under the Building Education Revolution Program.”*

We have sighted a letter from ACCC to QMBA's solicitors dated 7 June 2010 stating that the ACCC *“does not intend to pursue these matters further at this stage ... however ... this decision may be reviewed in the event that any additional information is obtained by ACCC that raises concerns under the Act.”*

Our conclusions

The scale and nature of the BER activities means an increased risk of cartel behaviour by tenderers. However, in the course of our examination, we observed no evidence of such behaviour¹⁹.

¹⁶ Cartels, Deterrence and Detection, A guide for government procurement officers” published by Australian Competition and Consumer Commission 2009, ISBN 978-1-921581-01-4

¹⁷ A Construction Manager is a major contracting organisation whose role is to oversee the delivery of a portfolio of approved school projects; driving project outcomes including design and construction, ensuring that designs meet the agreed brief and budgets; and regularly report to DET on progress on matters such as time, cost, quality, and scope.

¹⁸ This concern was also referred to in the public hearings of the Estimates Committee of the Queensland Parliament. In the Hansard record of the relevant hearing it was stated that “this fee has been negotiated by a trading organisation on behalf of the managing contractors. With the eight managing contractors and the revelation that a constant 6 per cent design and construct management fee was negotiated on behalf of all eight by a trading organisation, thereby eliminating all competition on the this multi-million dollar fee”.

¹⁹ Further detailed enquiry beyond the scope of our work would be necessary before a conclusion could be reached that no cartel behaviour had in fact taken place within the BER Program in Queensland state schools.

Mr Mayne stated that there has been massive overcharging of construction and maintenance projects to schools

Mr Mayne advised us that the costs that he has used to form this opinion are based on the Rawlinsons Australian Construction Handbook 2010 (RACH).

In each of the schools we examined in detail for our July 2010 Report, there was evidence that costs were assessed by the independent Audit Quantity Surveyor. In each case, a letter had been provided by the Audit Quantity Surveyor certifying that the costs represented value for money. Review of costs by the Audit Quantity Surveyor at estimation, tender acceptance, and verification of progress claims is part of DET standard processes to ensure cost control.

We engaged Mitchell Brandtman as independent Quantity Surveyors to provide commentary regarding the use of generic cost reference sources such as the Rawlinsons Handbook. Their comments, set out in Appendix C are summarised as follows:

“The costs per square metre given within RACH should only be used for feasibility studies and are no more than a rough guide because costs can vary considerably from the ranges given.

When conducting a comparison careful consideration should be given to creating an equal playing field by making adjustments for the date that the work was completed (RACH is published annually), the location of regional work and the exclusions. In particular demolition, external work, infrastructure, and furniture are common inclusions within the BER projects.

Ultimately the project costs are driven by the project specifics and these specifics can only be properly considered by using a detailed elemental estimating methodology rather than an overall cost per square metre. This methodology will account for cost variances due to sloping sites, foundation problems, and high wall to floor ratios, unusual shape and any special design factors.”

Our conclusions

As indicated above, the square metre rates contained in the Rawlinsons Australian Construction Handbook (RACH) are an average and need to be adjusted for a significant range of factors specific to individual construction projects. Without understanding and making specific allowance for the impact of such factors on each project, unrealistic conclusions on schools building costs may be drawn.

Inappropriate use of the data in the RACH can lead to unreliable assessments of the schools building costs in Queensland.

Indications are that the application of the processes and controls examined by us across the overall program are sufficient to ensure that the risk of any overcharging by contractors is very low.

Based on the projects examined over the course of our BER work, we found no evidence of the “massive overcharging of construction and maintenance projects” by contractors asserted by Mr Mayne.

Mr Mayne stated that implementation of the [BER] program in Queensland appears is *haphazard*

Our examination of the BER Program in Queensland has previously found that the program governance is sound and that effective management processes and cost controls are in place and helping to ensure value for money is achieved across the overall program.

We have also found high levels of compliance with BER Guidelines by DET.

Our conclusion

This large and complex program is being effectively managed and delivered through an extended team of DET staff and contractors across Queensland.

We have not found evidence to indicate that implementation of the BER Program in Queensland state schools is "*haphazard*".

Mr Mayne stated that use of pre-qualified contractors is concerning as they might not be required to follow competent building practices, only the ability to follow appropriate paper audit trails and have the financial strength to complete the project

We interviewed officers of DPW on 14 July 2010 and examined documents describing the Pre Qualified Contractor (PQC) selection process and criteria.

The Pre Qualified Contractor (PQC) system is an independent process carried out by the DPW to qualify contractors based on criteria including the applicant's management systems and financial viability to conduct projects of a certain maximum value. Evidence of availability of resources and prior performance is also required.

There are four levels of qualification, from large-scale construction manager to specialised tradesperson, so that prospective purchasers of services are able to select contractors with a level of skills and capabilities commensurate with the intended project.

Technical abilities are verified by examining formal qualifications and licences to perform particular types of work. These qualifications and licences are issued upon proof of competence by the relevant authorities.

We noted that there are clearly defined procedures in place to report on contractors' performance on a periodic basis throughout the project. However, we have been advised that these procedures are not being followed in every case under the BER Program, which creates a risk that contractor performance issues may not be detected in time for action to be taken.

Our conclusion

We conclude that this particular concern is not supported by available evidence.

DET should ensure compliance with the PQC performance reporting requirements in all of the BER schools projects. There is a backlog of reporting of contractor performance that needs to be addressed.

Mr Mayne stated that around \$1.7bn of work has been let in the QLD BER Program without tender.

Mr Mayne questions probity given his view of the lack of competitive tendering.

Mr Mayne's concern appears to be related to the procurement processes in each of the three BER Rounds. The following excerpts have been taken from his submission to the Senate enquiry²⁰:

“Round 1: \$674,200,182 across 641 projects. None of these projects were put to tender.

Round 2: \$602,700,043 across 481 projects. All of these projects were allocated to managing Contractors without tender. In fact the fees to be paid by the Government were negotiated by the 8 managing contractors acting as a group and represented by the Master Builders Association.

Round 3: \$511,000,034 across 540 projects. These projects have been allocated to managing Contractors without tender. In fact the fees to be paid by the Government were negotiated by the 8 managing contractors acting as a group and represented by the Master Builders Association.”

Our analysis

In our July 2010 Report we examined the procurement controls and processes in each of the procurement methodologies across all three rounds. In each round and for each category of projects the competitive selection process was in accordance with the Procurement Plan, the Capital Works Management Framework and State Procurement Policy. We did not find evidence to support any of Mr Mayne's statements to the Senate as quoted in the excerpts above.

The selection process for the Design and Construct (D&C) Contractors relies on non-price criteria and therefore differs from a traditional cost-based tender. The selection process for the Construction Managers also relied on non-price criteria with a fixed upper limit for the fee set by DPW. All projects managed by the Construction Managers were subject to traditional cost-based tenders.

We identified an area of increased risk in the Design and Construct method adopted in Round 1 and for some projects in Round 2.

DET has provided the following description of this method:

“Design and construction

A design and construction contract is a ‘fast track’ procurement method where the contractors are responsible for the design and construction parts of the project. Under this procurement methodology, a project manager is also independently appointed to oversee project delivery. The contractor engages a principal consultant (architect) to undertake the design stage.

²⁰ Senate Education, Employment and Workplace Relations Committee - Primary Schools of the 21st Century Inquiry

Design and construction contract arrangements are the most commonly used procurement strategy in BER for Queensland state schools. Design and construction contract arrangements have been used for \$1.02 billion in projects funded in Round 1, a small number in Round 2 and Round 3 of the Primary schools for the 21st Century (P21) and the majority of the Science and Languages Centres for the 21st Century for Secondary Schools (SLC) element. Design and construction contractors are in level three of DPW's PQC register.

The first portion of the BER P21 program \$490 million was procured through DPW via an expression of interest tender process conducted with eligible contractors and consultants on the PQC Register. Public tenders in this first portion of P21 were not sought as there were sufficient contractors and consultants on the PQC Register to ensure value for money and to meet the compressed timeframes.

Selection of contractors in this first portion occurred only after prices were deemed to be value for money. Independent auditors benchmarked the contracts against industry standards. Fee levels were also a key consideration. Where value for money was not seen to be achieved, contracts were negotiated.

All project management fees are below the Australian Government limit of 4%."

In order to meet its objective of expediting the economic stimulus in the building industry the Australian government set a short timeframe for Round 1 projects. The response of the Queensland Government was to adopt its customary "fast track" Design and Construct procurement method.

Our conclusions

Contracting without traditional tenders involves a heightened level of risk that optimum prices may not have been achieved.

Given the need under BER Guidelines for accelerated timeframes to meet the AG's economic stimulus objective, DET adopted alternative procedures to verify that costs were reasonable.

In our view, the alternative procedures were appropriate.

Mr Mayne stated that 110 schools in Queensland have been allocated money greater than they are entitled under the BER Guidelines

We reviewed the funds allocated to schools in Queensland and identified only six schools for which funding received appeared to be greater than the amount to which the schools were entitled under the BER Guidelines.

Further investigation revealed that the allocations for these six schools are in accordance with the BER Guidelines regarding enrolment numbers at February 2009.

In the case of one of the six schools a clerical error appeared to indicate that additional funding of \$500,001 had been claimed. The error was corrected. We have verified that no additional funding was claimed for that school.

The funding allocations for the remaining five schools relate to the amalgamation of schools under the State Schools of Tomorrow Program as detailed in the table below:

Table 4 – Funding allocated for school amalgamations

School	Funding approved by the Australian Government
Wynnum North State School	Received an additional \$1,700,000 as part of the P21 program due to its amalgamation with Lindum and Wynnum Central State Schools, which were each eligible for \$850,000. The funding for these amalgamating schools was re-directed to Wynnum North State School.
Bundamba State School	Received an additional \$37,500 as part of the NSP program due to amalgamation of a local school.
Silkstone State School	Received an additional \$75,000 as part of the NSP program due to a local school that was amalgamated.
Dinmore State School:	The NSP funding for which this school was eligible was allocated to Riverview State School because Dinmore State School was identified for amalgamation.
Inala West State School	The NSP funding for which this school was eligible was allocated to Inala State School, as Inala West State School was identified for amalgamation.

Our conclusion

Based on the information on small schools provided to us, we found that DET has complied with the requirements for BER Guidelines in relation to the 2009 and 2010 sustainability reviews of small schools. In special circumstances such as amalgamation, the allocation has been approved by the Australian Government.

Mr Mayne stated that Quantity Surveyor benchmarking is wrong and is based only on what the DPW is comfortable with, rather than being based on industry standards

As noted earlier, we engaged Mitchell Brandtman as independent Quantity Surveyor to assist us with the matters examined in the July 2010 Report.

At our request, Mitchell Brandtman reviewed the scope of services for the eight Audit Quantity Surveyors appointed by the Queensland Government.

We requested that each of the Audit Quantity Surveyors provide a statement of their interpretation and implementation of their scope of service to us. Mitchell Brandtman reviewed these statements and provided a report on the effectiveness of the processes employed by each of the organisations based on the information provided. This report by Mitchell Brandtman was included in the July 2010 Report.

Mitchell Brandtman stated:

“With regard to ‘value for money’, all Audit Quantity Surveyors have applied their experience and knowledge in their specialist field to achieve the best possible price for each project, taking into account the individual requirements of each of these projects. The use of multiple independent Audit Quantity Surveyors coming from professional practise should introduce a high level of confidence in the satisfaction of the programs requirements.”

Detailed Analysis

We interviewed officers of DPW to ascertain if any guidance is given to the Audit Quantity Surveyors by DPW. We found no evidence of DPW prescribing any benchmarks and found instead that DPW, having defined the scope of services, is not seeking to influence the professional independence of the Audit Quantity Surveyors.

Our conclusion

There is evidence that quantity surveyors used independent benchmarks and assessment methods when accessing costs, rather than standard Department of Public Works information.

Private citizen – Greg Applin

Background

The complainant is a qualified and registered Civil Engineer with over 15 years experience. Mr Applin's concerns have arisen largely from his involvement with Hendra State School, which his children attended. He advised us that he acted as the P&C voice as an elected delegate [*sic*] and helped the Principal with the process. Mr Applin's wife has held the position of P&C President. Matters specifically relating the project at Hendra State School were addressed in the July 2010 Report.

The concerns dealt with here are of a more general nature relating to the BER Program.

Mr Applin provided to us a number of documents including correspondence with DET. Where possible, we have examined primary source documents as well as data provided directly by key stakeholders to ascertain the relevant facts and has not relied on secondary sources.

We interviewed Mr Applin on 26 May 2010. Mr Applin was accompanied by Mr Mayne.

We have interviewed and sourced relevant documents from senior officers of:

- Department of Education and Training
- Department of Public Works
- Queensland Master Builders Association
- Independent Audit Quantity Surveyors appointed by DET/DPW

Concern specifics – Greg Applin

Mr Applin stated that school Principals do not understand what they are signing off in the Project Definition Plan

Mr Applin was concerned that some P&C Presidents may be pressured by the school Principal to sign off on the PDPs when they have very little understanding of what they are signing off.

We noted in responses to the survey carried out for the July 2010 Report some schools stated that they were not given sufficient time to fully consider and understand what they were to receive.

DET has recognised that school Principals and P&C representatives do not have expert knowledge in the field of building construction, and does not expect this of them.

A Project Coordinator²¹ is allocated to each school for the duration of their project. Their role is to assist the school to understand the project and the nature of the facility being

²¹ DET advises that the Project Coordinators have become more effective in their roles as they have gained experience in the Program and are now better able to provide advice and guidance to the school Principal. DET has published explanatory documents to assist school Principals. These documents are available on: <http://education.qld.gov.au/infrastructure/strategy/ber/state.html>. DET has subsequently strengthened the role of

provided. The Project Coordinator also helps to ensure that there is appropriate communication between the school, the Project Manager, and the relevant contractors.

One of the objectives of the Australian Government was to rapidly achieve economic stimulus. The imperative to meet short project timelines has resulted in project managers applying strong pressure to school and P&C representatives to make quick decisions so that the projects can proceed. In some situations this pressure has resulted in escalating tensions and resulted in strong feelings of dissatisfaction as noted in some survey results. Where such situations have arisen DET delivery managers have taken action to resolve the conflict.

In some cases this response by DET has not been sufficiently timely. PwC made recommendations in our July 2010 Report regarding improvements to the DET complaints management process.

Our conclusion

We agree that it is often difficult for school communities to interpret technical drawings and complex specifications, particularly when they felt pressured to make decisions within short timeframes.

We believe that school representatives should be given adequate time to properly consider planning documents to ensure that they truly reflect the requirements of the school within the permissible options.

Care should be taken when appointing Project Coordinators to ensure that successful candidates have demonstrated ability to communicate effectively, especially when under pressure to resolve issues.

We have highlighted the need to provide additional support for some smaller schools in our July 2010 Report.

Mr Applin stated: "because of the current downturn in the construction industry a QS [Quantity Surveyor] had advised me that up to 75% of their current work load was BER related. Therefore, they were reluctant to "shake the boat" [sic]"

Our conclusion

We agree that there is a heightened risk of cost control failure if a quantity surveyor feels any form of pressure to accept excessive costings.

In our consideration of numerous the projects, neither we, nor the quantity surveyors we ourselves engaged, observed anything that would support a suggestion that Audit Quantity Surveyors had been swayed by the volume of BER work they were receiving.

We found evidence that quantity surveyors had actively challenged costs.

the Project Coordinator to provide advice and guidance to the school Principal and has published explanatory documents to assist Principals. These documents are available on:
<http://education.qld.gov.au/infrastructure/strategy/ber/state.html>.

It may be appropriate Mr Applin to refer this concern to the relevant professional association²². We have not received any other comments of this nature.

Mr Applin stated that the tendering process is not working, as builders know how much to charge based on enrolment numbers.

The amount of funding allocated to each school is public knowledge. The school will ensure that it fully expends its funds and endeavour to procure the best facility it can within those funds.

The element of competition then becomes a matter of which contractor can deliver the best facility for the available funds.

Each bid incorporates a contingency amount to cover risk. Once the school has eliminated the risks, it is able to commit the remaining contingency to items on a 'wish list'.

Mitchell Brandtman has provided commentary on this topic in Appendix C.

Our conclusion

The fact that bidders know the amount of funds available is unlikely to result in the failure of the tender process to achieve value for money.

Mitchell Brandtman agrees with our view that if the amount of funds available is known to bidders it is unlikely to result in the failure of the tender process to achieve value for money. However, Mitchell Brandtman notes that "value for money" is often confused with the cheapest price and a definitive statement can only be made at the individual project level by considering the specifics.

Mr Applin stated that Construction Managers are acting more like a Project Manager role and not a Construction Manager role

Mr Applin stated that Construction Managers should be packaging numerous projects together and letting trade packages, not just letting a subcontractor building contract for each project.

The responsibilities of the Construction Manager determined by DET are as per AS4916-2002 6A.2 and for each component of the PDP, the Construction Manager must:

1. fully review DET's project requirements for each component
2. provide to DET a detailed project estimate for each component which shall include:
 - a A detailed description of the scope of work to be completed on the site in respect to the component and all approved design documents.

²² Relevant professional organisations in Australia are : Australian Institute of Quantity Surveyors; Royal Institution of Chartered Surveyors

Detailed Analysis

- b A detailed breakdown of the estimated cost of the component, including budgeted component costs, which must not exceed the budget for the component, advised to the construction manager by the Principal.
 - c A description of the underlying financial, contractual and design assumptions that support the project estimate.
 - d The proposed date of completion.
 - e The amount of the lump sum payment required by the construction manager in respect of on-site overheads.
3. Manage site safety, performing the important role of Principal Consultant under the Workplace Health and Safety Act.

Our conclusion

In order to allow Construction Managers to most effectively use their established procedures DET has not been prescriptive about how the Construction Managers should fulfil these responsibilities.

We agree that in some circumstances, it may be appropriate for Construction Managers to package projects together to achieve economies, but there would appear to be little scope in practice for them to adopt such an approach within the BER program. Factors that would render such an approach more difficult include the geographic dispersion of projects and the need to use local contractors where possible.

Payment of site allowances

Mr Applin has heard rumours that trade unions have claimed increased workers' pay rates as a \$2.50/hr increase in site allowance due to these works being classified as "major works". He asked us to investigate these rumours.

We interviewed officers of the Queensland Master Builders Association who advised that the school projects have not been classified as major works in Queensland so no additional site allowance applies.

Our conclusion

The Queensland Government does not consider a collection of projects in the BER Program to be a "major work". The value of each school project independently determines its classification. Therefore, there is no basis for any claim for increased site allowance based on a classification as "major works" for these projects.

We found no evidence that increased site allowances for "major works" have been paid in the BER projects for Queensland state schools, while noting that we did not have access to wage records of contractors.

Schools under sustainability review

Background

BER Guidelines relevant to school closures and amalgamations

The following criteria are drawn from the “BER Guidelines BER Element 1: Primary Schools for the 21st Century, Eligibility Criteria”:

School closures (P21 and NSP):

“If a school is planned for closure, then funding must not be approved for that school entity. The state, territory, or BGA will not receive any funding for that school. States, territories, and BGAs identified closing schools by in the February 2009 BER census data.”

School amalgamations (P21):

“Where two or more schools have a planned amalgamation over the next three years, into either a new school site or an expansion of one of the existing schools, then the indicative funding allocation for the schools to be merged may be combined to be used for capital or refurbishment in the new school.”

School amalgamations (NSP):

“Where two or more schools have a planned amalgamation over the next three years into either a new school site or an expansion of one of the existing schools, then the indicative funding allocation for the schools to be merged may be combined to be used for minor capital works in the new school.”

Nature of the concern

DET requested that we review its strategy for allocation of BER funding to small schools. DET strategy is to comply with the BER Guidelines whilst ensuring that these small schools and their communities are not disadvantaged.

DET requested that we to examine BER funding for schools that:

- could potentially be temporarily closed
- have been temporarily closed or amalgamated
- required enrolments to be monitored.

Analysis

We have examined the information provided by DET (see Appendix B).

We noted that only one school in the list²³ of those already temporarily closed, Evesham State School, received funding. In discussions with DET, we confirmed that the school applied for P21 funding in Round 3 and was successful in acquiring \$250,000 for the construction of a resource centre, despite having only one student.

DET identified the school as unsustainable and decided that Evesham State School would amalgamate with Longreach State School. The Australian Government approved consolidation of funding for Evesham State School with the funding for Longreach State School for the construction of a Multipurpose Hall (total funding of \$2,750,000). After negotiations and agreement with Evesham State School, DET did not apply for NSP funding for the school.

In each of the schools that we examined we compared the amount of funding approved with the entitlement of the school in accordance with the BER Guidelines for the number of enrolments in February 2009.

Our conclusions

Based on the information on small schools provided to us, we found that DET has complied with the requirements for BER Guidelines in relation to the 2009 and 2010 sustainability reviews of small schools. We observed that in a number of cases, DET sought approval for specific courses of action from DEEWR.

²³ See Appendix B Table 7

Disclaimer

The procedures that we have performed did not constitute an audit in accordance with Australian Auditing Standards or a review in accordance with Australian Auditing Standards applicable to review engagements and, consequently, no assurance has been expressed.

The Building the Education Revolution Program review procedures were intended for the benefit of the Queensland Department of Education and Training. They were not planned or conducted in contemplation of reliance by any third party or with respect to any specific transaction. Therefore, items of possible interest to a third party may not be specifically addressed and matters may exist that would be assessed differently by a third party in connection with a specific issue or transaction. Our work was carried out on a test basis. We cannot, in practice, examine every activity and procedure, nor can we be a substitute for management's responsibility to establish and maintain adequate control of all levels of operations, and their responsibility to prevent and detect irregularities, including fraud. Management should not rely on our report to identify all weaknesses that may exist in DET's systems and procedures, or potential instances of fraud that may exist. Therefore, our comments should be read in the context of the scope of our work.