

# 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 1 – Executive Summary





# Contents

## Executive Summary

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This is Part 1 of our report which consists of 3 parts that should be read together. The other two parts are:

Part 2 – Detailed Analysis

Part 3 - Appendices



# Executive Summary



This Executive Summary sets out the key findings from our independent examination of certain complaints and concerns regarding the Building the Education Revolution (BER) Program<sup>1</sup> in Queensland state schools that the Queensland Department of Education and Training (DET) referred to us. This report is supplementary to our No 2 report of July 2010, and should be read in conjunction with that earlier report. Terms of reference for that report are at <http://education.qld.gov.au/infrastructure/strategy/ber/termsref.html>

## The complaints and concerns dealt with in this report

We considered the following matters:

- the construction of a resource centre and a hall at Mount Crosby State School
- the construction of a resource centre and playground facilities at Glenore Grove State School
- concerns relating to the general operation of the BER program, raised with DET by individuals:
  - Mr Craig Mayne
  - Mr Greg Applin.

## Mount Crosby State School

### *Background*

The school is using BER funding of \$3 million to construct facilities that include a resource centre and an unenclosed multi-purpose hall. To enclose the hall, in accordance with usual DET standards<sup>2</sup>, will require additional expenditure at a future date, outside of BER funding. The school was aware of this arrangement.

The conversion of the hall 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 for building the same hall in a fully enclosed state in a single construction phase.

It is not presently possible for us to estimate the dollar amount of either of these additional costs.

The present construction scenario represents a compromise reached following protracted negotiation, and a number of school representatives remain dissatisfied with both the proposed facility and the negotiation process<sup>3</sup>.

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<sup>1</sup> Building the Education Revolution Program

<sup>2</sup> DET has advised us that the approach taken for all of the BER facilities in Queensland state schools is that they will “*comply with Education Queensland standards, size and functionality.*”

<sup>3</sup> We formed this view in the course of our discussions with the Principal and the President of the P&C. We also note that an article in the Courier Mail on Monday 20 September referred to concerns expressed by another member of the P&C regarding the facilities

The compromise has been necessary for three reasons:

- to comply with the Australian Government's BER Guidelines<sup>4</sup>, which stipulate that funds must first be allocated to a library<sup>5</sup>,
- to manage within the funding amount provided by the Australian Government.
- to accommodate the wishes of the school to ultimately have a large hall suitable for school and community use.

The school's intention is to enclose the hall as soon as funding permits, as the school believes that having a larger hall brings benefits which outweigh the additional cost of carrying out two construction phases. The school could have chosen a fully enclosed hall of smaller floor area.

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

### *Conclusion*

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 meant that such an option was not available.

A possible solution would be for DEEWR in future programs to remove the order of precedence conditions for construction of facilities under the guidelines for those programs.

## Glenore Grove State School

### *Background*

There were specific concerns expressed by the P&C President about expenditures relating to air-conditioning in a resource centre and a claim that project management of playground refurbishment works that did not represent value for money.

### *Conclusion*

We recommend that DET consider the way that small expenditures are managed, for example through allowing for very small projects (such as playground equipment) to be managed by school communities.

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<sup>4</sup> All references to the BER Guidelines are to the Building the Education Revolution Guidelines set by the Australian Government

<sup>5</sup> EQ refers to a "library" as a "resource centre". We use the terms synonymously in this report according to the context

## Mr Mayne

With respect to concerns raised by Mr Mayne<sup>6</sup>, we found as follows:

- based on survey<sup>7</sup> responses some schools have not been fully aware of what infrastructure has been or is being proposed
- based on survey responses, the short timeframes specified by the Australian Government to achieve BER objectives placed pressure on some school communities to make quick decisions. Those communities felt uncomfortable with that pressure<sup>8</sup>
- the scale and nature of the BER activities may lead to an inherent risk of cartel behaviour by tenderers. However, in the course of our examination of the BER program in Queensland state schools, we observed no evidence of such behaviour<sup>9</sup>.
- we note the possibility that the contractor pre-qualification requirements might lead to a procedural rather than substantive approach to assessing project performance. While it was not within the scope of our work to assess quality of completed facilities, quality was raised as an issue in only a minority of survey responses, while many noted high levels of satisfaction with their facilities
- contracting without traditional tenders involves a heightened level of risk that procurement may not achieve optimum price. Given the need under BER Guidelines for accelerated timeframes, DET adopted alternative procedures to verify that costs were reasonable. In our view, the alternative procedures were appropriate. Based on the projects examined over the course of our BER work, we found no evidence of “*massive overcharging of construction and maintenance projects*” by contractors
- there were no examples of schools that received funding outside of their entitlements under BER Guidelines
- there is evidence that quantity surveyors used independent benchmarks and assessment methods when accessing costs, rather than standard Department of Public Works information
- in our view, the implementation of the BER program in Queensland state schools has not been “*haphazard*”.

We note the following opportunities for improvement:

- DET provide greater assistance to school representatives to help them to make informed decisions relating to their responsibilities in the program<sup>10</sup>

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<sup>6</sup> Words in italics are terms used by Mr Mayne to describe his concerns to PwC

<sup>7</sup> The survey of the opinions of Queensland state schools Principals and P&C Presidents we conducted for our July 2010 Report

<sup>8</sup> Responses to Question 7 of the survey on p101 of our July Report indicated that 7% of respondents strongly disagreed and a further 23% disagreed that the timeframe imposed by the Australian Government allowed sufficient time to prepare their application and develop plans for the school

<sup>9</sup> 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

<sup>10</sup> This matter was identified as an opportunity for improvement in our July 2010 Report (Opportunity 1, page 9)

- DET remain alert to the heightened risks referred to above, and refer any suspected inappropriate behaviour to the relevant authorities. Further, it is important that DET ensure compliance with the procedures they have adopted in order to manage the higher risk areas of the BER program<sup>11</sup>

### Mr Applin

With respect to concerns raised by Mr Applin, we found as follows:

- it is often difficult for school communities to interpret technical drawings and complex specifications, particularly when they feel pressured to make decisions within short timeframes
- 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. However, in the projects we examined, we found evidence that quantity surveyors had actively challenged costs
- the fact that the amount of funds available for each project is publicly known before tendering does not lead to the conclusion that there will be a failure to achieve value for money
- 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 such an approach within the BER program.

### Sustainability reviews

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 the Commonwealth Department of Education, Employment and Workplace Relations (DEEWR).

### Opportunities for improvement

In summary, we note the following opportunities for improvement:

- 1 DET should ensure compliance with the Pre Qualified Contractor<sup>12</sup> (PQC) performance reporting requirements in all of the BER schools projects, and address the current backlog of reporting of contractor performance to help maintain high levels of performance.
- 2 DET should consider small projects such as the removal and replacement of play forts and shade cloth as straightforward procurements and handled by the school and P&C.
- 3 Where there is a clear opportunity to save money by including equipment during construction the Project Manager should carefully weigh the opportunity against

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<sup>11</sup> These procedures were dealt with in our September 2009 Report and our July 2010 Report

<sup>12</sup> Pre qualification of contractors is undertaken by Department of Public works

the risk of contingency being exceeded and take action as appropriate to achieve optimum value for money.

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

#### Other observations

A possible solution to the situation that has arisen at Mount Crosby State School would be for DEEWR in future programs to remove the order of precedence conditions in the guidelines for those programs to ensure options selected by schools could be based on their particular needs.

## 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.