

Learning the Lessons – Financial Management in Government Schools

Report 7 – October 1996

Background

In 1995 the Education Department of Western Australia (EDWA) provided education to nearly 250 000 students through 770 government schools. The 1994-95 cost of the Government Schools Education Program was \$1.0 billion dollars. Government schools directly managed expenditure worth \$92.3 million and assets of \$260 million.

What the performance examination found

While EDWA's policies and instructions provide sufficient guidance on most financial management matters, many schools were nevertheless experiencing problems:

- Significant divergence from sound financial practices was found including: obtaining and documenting purchase quotations (39 per cent met requirement); asset management practices (12 per cent); the allocation of funds to replace assets (47 per cent); and a risk of schools over-committing funds to leasing arrangements.
- Low collection rates of 'voluntary' school fees can impact on a school's capacity to provide planned services. Collection methods and some charges vary widely amongst schools. Schools face legal and moral difficulties pursuing the collection of moneys.
- The quality of financial management in some schools is affected by skill shortages, problems accessing training, workload difficulties and making effective use of financial systems.

Analysis of EDWA's Utilities Management Program found that schools had achieved significant savings in energy costs. This program was characterised by sufficient incentives, guidance and support to schools.

The examination found that internal school audits are providing reasonable coverage and assurance. However, opportunities for improved outcomes were identified. These included, ensuring that identified audit concerns are resolved (only 9 per cent of all matters had been resolved), and making greater use of systemic analysis to identify system wide issues.

What the examination recommended

- EDWA should address the capacity and support needs of schools, before further transfer of functions from central office takes place.
- EDWA should act to ensure sound financial management practices in schools, particularly in the areas of purchasing, asset management and asset replacement.
- Government and EDWA should address school concerns about, and non compliance with, school fee policy.
- EDWA should improve school performance and accountability for public funds by improving school audit practices; and making greater use of systemic analysis.