



2009

PARLIAMENT OF TASMANIA

**AUDITOR-GENERAL
SPECIAL REPORT No. 84**

**Funding the Tasmanian Education
Foundation**

October 2009

*Presented to both Houses of Parliament in accordance with the provisions of Audit
Act 2008*

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29 October 2009

President
Legislative Council
HOBART

Speaker
House of Assembly
HOBART

Dear Madam President

Dear Mr Speaker

SPECIAL REPORT NO. 84

Funding the Tasmanian Education Foundation

This report, relating to my audit of compliance by the Department of Education with a Treasurer's Instruction concerning its funding of the activities of the Tasmanian Education Foundation, has been prepared consequent to examinations conducted under section 23 of the *Audit Act 2008*.

Yours sincerely

H M Blake

AUDITOR-GENERAL

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Foreword

Governments provide services through a variety of mechanisms; directly through government departments, government businesses and statutory authorities; and indirectly through a range of agreements with non-government organisations. In the case of the latter, funding is provided contractually with expectations that services to specified levels will be provided, for example disability services. Alternatively, funding is provided without any strings attached such as grants to sporting organisations.

Funding of the Tasmanian Education Foundation does not fit neatly into any of these categories. It involved Government part funding a joint or partnership arrangement with a private entity requiring very clear objectives for both parties from the outset, something which was, in my view, lacking in this instance.

This does not mean that arrangements such as this should not be entertained or that they cannot be made to work. However, what this audit has highlighted is that they be embarked on only with clear understanding of Government processes and with careful planning, particularly where the private participant plans to rely on deductible gift recipient status to raise funds.

Also highlighted by the audit was the need for clarity by Government in setting budgets for these types of initiatives and more effective engagement by persons with appropriate levels of decision-making authority. The 'steering committee' approach adopted by Common Ground Tasmania seemed a model worth applying more generally.

H M Blake

Auditor-General

29 October 2009

List of acronyms and abbreviations

ASX	Australian Stock Exchange
ATO	Australian Taxation Office
DoE	Department of Education
DGR	Deductible Gift Recipient
DPAC	Department of Premier and Cabinet
TCCI	Tasmanian Chamber of Commerce and Industry
TEF	Tasmanian Education Foundation
TI 709	Treasurer's Instructions 709 <i>Grant Management Frameworks</i>

Independent auditor's conclusion

Independent auditor's conclusion

This independent conclusion is addressed to the Speaker of the House of Assembly and the President of the Legislative Council. It relates to my audit of compliance by the Department of Education (DoE) with a Treasurer's Instruction concerning its funding of the activities of the Tasmanian Education Foundation (the Foundation). My audit was based on the audit objective and audit scope detailed in the Introduction to this Report.

In developing the scope of this audit and completing my work, the parties interviewed provided me with all of the information that I requested. There was no effort by any party to the audit to limit the scope of my work. This Report is a public document and its use is not restricted in any way by me or by any other person or party.

Responsibility of the Secretary of the Department of Education

The Secretary is responsible to manage budgeted expenditure in accordance with Treasurer's Instructions and to ensure the achievement of budgeted outputs.

Auditor-General's responsibility

In the context of this compliance audit, my responsibility was to express a conclusion on whether or not the procedures followed when expending public monies were in compliance with Treasurer's Instruction 709 *Grant Management Frameworks* (TI 709). I also examined governance practices adopted by the Foundation.

I conducted my audit in accordance with Australian Auditing Standard ASAE 3100 *Compliance Engagements* which required me to comply with relevant ethical requirements relating to audit engagements. I planned and performed the audit to obtain reasonable assurance of whether the processes followed were reasonable.

My work involved obtaining evidence of the processes followed by DoE to ensure compliance with TI 709 and by the Foundation in compliance with generally accepted governance practices. My procedures, based on the objectives and scope outlined in the Introduction to this Report were established by me without influence. The procedures depended on my judgement, based on the objectives and scope and on my assessment of the risks of material misstatement of the information obtained by me as part of this audit.

I believe that the evidence I have obtained was sufficient and appropriate to provide a basis for my conclusion.

Auditor-General's conclusion

Based on the audit objectives and scope and for reasons outlined in the remainder of this Report, it is my conclusion that the Department of Education complied with TI 709 and that the Foundation complied with generally accepted governance practices.

However, I also concluded that:

- Had DoE managed the arrangements similarly to that adopted for the Common Ground Tasmania initiative, a better outcome to date may have been achieved.
- Where it was aware of conflicts of interest, these were properly managed by the Foundation.
- To date the government has not received value for money for its expenditure of \$250 000 although this could still be achieved if the findings and recommendations in this Report are actioned.

My findings resulted in two recommendations I believe DoE should address prior to releasing any further funds.

H M Blake

Auditor-General

29 October 2009

Executive summary

Executive summary

Background

In April 2008, the Tasmanian Chamber of Commerce and Industry (TCCI) wrote to the then Premier seeking Government financial support for the still to be established Tasmanian Education Foundation (TEF or the Foundation). The aim of the Foundation was to promote the value of education and learning in the Tasmanian community. The likely benefits were seen as improved school retention rates and, in the longer term, a workforce with improved potential for economic output.

In addition to ongoing government funding, the Foundation was to attract private sector donations by securing Deductible Gift Recipient status from the Australian Taxation Office.

The 2008–09 budget allocated \$1 M over two years for the Department of Education to help fund TEF. In June 2008 the Premier wrote to the TEF confirming the budget initiative and requiring the Foundation to prepare a business plan. When that condition was met, the Government would enter into a formal agreement with the Foundation.

The business plan was submitted in February 2009 and following its assessment by DoE, \$100 000 was paid to the Foundation in mid-April as seed funding. A further \$150 000 was released in June 2009 to support the Foundation's activities.

However, delays in obtaining Deductible Gift Recipient status meant the TEF did not attract funds from the private sector and was effectively unable to operate. By the end of July 2009 all but one of the Foundation's Board members had resigned leaving the TEF exposed and in breach of the *Corporations Act 2001*.

Because these matters involved expenditure of public monies, the Auditor-General decided to initiate an audit of the funding arrangements in line with the mandate conferred under the *Audit Act 2008* ('investigating any matter relating to public money or other money, or to public property or other property').

We framed the audit to cover effectiveness of government's oversight of the expenditure (of up to \$1 M of taxpayer's funds); compliance by DoE with Treasurer's Instructions and compliance by the TEF with normally acceptable governance arrangements. The time period covered was from April 2008 to July 2009.

Detailed audit conclusions

An ideal approach

We compared the establishment of the TEF with a better practice public–private model (‘Common Ground’) in the housing sector.

It is too early to conclude whether or not the Common Ground initiative will be successful. However, its establishment received strong Government advice and support at the departmental level.

In contrast, Government advice to the TEF was not provided although engagement by DoE at Board meetings was offered.

Risk management

A major impediment to the successful establishment of the Foundation was a lack of understanding by it of Government’s expectations and requirements prior to funding being provided. Earlier engagement between the Foundation’s Board and senior DoE officials, not with Ministerial officials, may have resolved this.

A risk assessment should have been conducted by the Foundation as soon as it received the Premier’s 30 June 2008 letter.

DoE, as the agency responsible for achieving Government’s publicly announced policy directive, should have taken a stronger role in its dealings with the Foundation Board and have conducted a risk assessment.

Managing conflicts of interest

Where it was aware of conflicts of interest, the TEF Board managed them appropriately.

Common membership of the TCCI and the TEF created a situation where managing conflicts of interest would be difficult. The arrangements between the TCCI and TEF were poorly documented and unclear. The TCCI incurred costs on behalf of the TEF that it never commissioned although the TCCI had properly resolved to do so. Complications developed and there were uncertainties as to the situation with promised seed funding.

Mr Scobie made proposals that placed him in a position of conflicted interests but these were properly managed by all members of the TEF Board.

What happened to government’s money?

There is no doubt that both the TCCI and the TEF had to incur costs in establishing the TEF. However, sources of funding, timing

thereof and governance arrangements for commissioning expenditure were not clear from the outset.

The TCCI and TEF Chair operated beyond their authority, at least as far as the TEF Board was concerned. However, the independent auditor was satisfied with the cash costs incurred.

To date, the Government has not received value for money for the \$250 000 spent. This is not to say that the Foundation's work did not result in the creation of intellectual property.

A future TEF Board will need to address a number of recommendations made by the TEF's auditor and arising from our audit.

Is the TEF project worth pursuing?

If the TEF concept is to be pursued, more effective structures, such as the establishment of a steering committee and relationships are needed to make it work.

List of recommendations

The following table reproduces the recommendations contained in the body of this Report.

Rec No	Section	Recommendation
1	2.2	The Department of Education should conduct a risk assessment prior to finalising any funding deed with the TEF or advancing further monies.
2	5.2	We recommend that the Department of Education, in conjunction with the TEF, evaluate Government's existing and any further commitment to the Tasmanian Education Foundation.

Audit Act 2008 section 30 — Submissions and comments received

Audit Act 2008 section 30 — Submissions and comments received

Introduction

In accordance with section 30(2) of the *Audit Act 2008*, a copy of this report, or relevant extracts of this report, were provided to the government departments and individuals indicated below.

The comments and submissions provided are not subject to the audit nor the evidentiary standards required in reaching an audit conclusion. Responsibility for the accuracy, fairness and balance of those comments rests solely with those who provided a response or comment.

Submissions and comments received

Secretary — Department of Education

1. The Department of Education accepts both recommendations in the Report; in doing so it notes that:

- Evaluation of the Government's commitment to the Tasmanian Education Foundation (TEF) (Recommendation 2) will need to be resolved before proceeding with a risk assessment (Recommendation 1); and
- At this time the TEF has only one Board member and may be in breach of the *Corporations Act 2001*. However, we further note that the formation of a new Board prior to resolving current and future commitments may raise member expectations of ongoing government funding. In these circumstances, it is appropriate to reengage with the original proponents of the TEF, the Tasmanian Chamber of Commerce and Industry (TCCI).

2. While the Department recognises the value of the 'Common Ground' approach, there are significant differences between the two initiatives, including the initiating role of the TCCI, the leadership of a business Board, and the higher level of 'independence' sought by the TEF for a 'demand-led' rather than 'bureaucracy-led' strategy. This led to an 'arms-length' relationship, that was risk managed but with fewer layers of governance and direction than in the other model. However, the Department acknowledges that the relationship with the TEF Board could have been improved by adopting some elements of the Common Ground approach and, in particular, establishing an internal relationship steering committee.

3. With regards to a formal and documented risk assessment, it was the Department's clear intention to align this with the funding deed when both parties were in a position to reach such an agreement. While this has not yet been achieved, throughout the process senior managers actively managed the risk and regularly reviewed the initiative. It is for this reason that there was only cautious progress and that the majority of the funds were not released.

4. The Department would welcome access to the commissioned research in order to establish what value for money has actually been achieved. Access to the research will also assist with the evaluation (Recommendation 2).

Secretary — Department of Premier and Cabinet

The Secretary noted the recommendations but made no specific comment.

Current and past TEF Board members

Brendan Blomeley

From the outset, it is important to acknowledge that Directors of the Tasmanian Education Foundation (TEF) passionately endorsed the vision and objectives of the organisation and were committed to positively influencing the Tasmanian community's attitudes and behaviour toward the value of education. It was therefore disappointing that concerns regarding governance and conflicts of interest surfaced very soon after the formation of the Board and were not appropriately redressed. This ultimately resulted in my resignation as Deputy Chairman and Director of the Tasmanian Education Foundation on 8 June 2009.

As the TEF was exclusively funded by the Tasmanian taxpayer, it remains my firm view that the most rigorous tests of public scrutiny must be applied. In this regard, the TEF has failed on several counts.

The Board did not sanction any of the expenses incurred by the TEF due to uncertainty surrounding the availability of funds.

Additionally, several fellow Board members and I held serious concerns with the inadequate explanations of the expenses incurred and the seemingly high costs emanating from the TCCI. Subsequent to the resignation of the majority of the Board, unauthorised payments to the TCCI were made.

To conclude, it is saddening that the TEF failed to meet its objectives and the ideals shared by all former Directors. The Board made every effort to curtail unsanctioned activities to protect the organisation's solvency, and to ensure the highest standards of

transparency were applied, however, these efforts were frustrated, leading to the ultimate demise of the organisation.

Saul Eslake

Mr Eslake has read the report and had no comment to make for inclusion in the report.

Martin Rees

Mr Rees has read the report and had no comment to make for inclusion in the report.

Andrew Scobie

I welcome your report, noting in particular the finding that there were no conflicts of interest by any of the parties involved with the Tasmanian Education Foundation. Furthermore, it is important to note the report finds that the board acted appropriately at all times in dealing with any governance issues that arose. In light of the undue media coverage it is particularly important to underline the Auditor General's finding that there had been no misappropriation of any funds, and that all funds were appropriately used in the explicit pursuit of the purpose of the Tasmanian Education Foundation.

I believe that much of the difficulties in achieving an operable arrangement between the Department of Education and the Tasmanian Education Foundation would have been resolved at a very early stage if the intent of Treasurer's Instruction 709 had been pursued. In the negotiation of the "Black letter" mandatory 'legally enforceable Agreement in writing, setting out the terms and conditions...' the internally inconsistent requirement for matched funding and the lengthy and expensive process of attaining DGR status would have been identified as the principle risk factor for both parties. It is my belief that future Grantors and Grantees in Tasmania would be very much better served if 'legally enforceable Agreement(s) in writing, setting out the terms and conditions...' were entered into at the earliest possible time. Thus minimising risk to all parties including the Tasmanian tax payer. This is a position consistent with the finding that the Department of Education should have negotiated an operable contract immediately after acceptance of the Tasmanian Education Foundation's Business Plan.

I would like to clarify two explicit points with regard to the finding that Government has not yet received "Value for money". As the Foundation is yet to become operational in any real sense it would be most unusual for the Government to have achieved value for money, and it was not anticipated to have done so by any of the stakeholders nor was it envisaged in the agreed Business Plan to have done so. Having said that though, the Tasmanian Education

Foundation was created to address one specific issue. That purpose was to change the attitude of Tasmanians to the value of education. No one had previously focussed on the impact of the attitudes of Tasmanians and how those attitudes maybe inhibiting the community socially and economically. It is clear that even the early research of the Tasmanian Education Foundation has substantiated that purpose and underscored the economic and social imperative to address the demand side of education. It is therefore the Education Foundation's clearest of intention to accept the Auditor General's recommendation for the Foundation to work with the Department of Education to maximize benefit to all Tasmanians by pursuing the agreed purpose of the Education Foundation.

I acknowledge and welcome the Auditor General's recommendation as to the way forward for both the Department of Education and the Tasmanian Education Foundation. The establishment of the proposed steering committee and the immediate finalization of the Grant Deed must be imperatives for both parties.

In conclusion, the Education Foundation accepts the Auditor General's recommended way forward for the Department of Education and the Education Foundation. It is clearly an imperative to establish the proposed steering committee and finalize the Grant Deed at the earliest time. Consistent with Treasurer's Instruction 709 I look forward to working with the Head of Agency to finalize all outstanding matters.

I trust that consistent with the professional and independent approach taken so far the above concerns will be considered and acted upon in good faith.

Damon Thomas

The exercise aimed at increasing an appreciation of the value of educational attainment has ultimately but unintentionally proven valueless whilst representing unfortunately an outcome some cynics will be pleased with. In the event of its resurrection by another appropriately passionate group, well directed and focussed and supported good would result I am sure.

I am pleased that factually the report will now appropriately record, in the section on conflicts that I was ignorant of and not supportive of the earlier attempt to charge out some of my time on the project . It balances the reference appropriately.

On the report itself I will be interested in the public and parliamentary response, believing personally that the work done by Millwood Brown was well structured, completed by a professional and arms length organisation of repute and an outcome produced which had it been allowed to form a base line data set for future

tracking and measurement would have served the State system well. I would have preferred acknowledgement of the infancy of the study but its potential for the future.

For me personally thank you for the professional, courteous and methodical way in which this review of activity has been undertaken.

Frances Underwood

Thank you for the courtesy of giving me the opportunity to read your draft report to Parliament upon the performance audit report concerning the above Foundation and the Department of Education.

I have read it carefully and there is nothing in it about which I would like to make a comment.

Tasmanian Chamber of Commerce and Industry

The TCCI clearly understood the risks it was taking with respect to the establishment of the TEF. Its previous Board at their February 2008 board meeting approved the expenditure of up to \$50,000 to assist with the establishment of the TEF. As acknowledged in your report, the TCCI expended these funds on the concept.

In addition (and in good faith that the Government would meet its funding promises) the TCCI continued to provide services to the TEF on the basis that this expenditure would be re-imbursed once the TEF received funding. The TCCI Board was well aware of the quantum of the expenditure being incurred which was regularly reported to Board meetings. The TCCI Board recognised that if the promised funding was never received, it would be liable for the costs it had incurred in good faith.

The comment made on p.8 and again on p.47 is written in such a way that it can be interpreted to suggest that the TCCI acted outside its authority. In light of the above, this statement is clearly not the case as far as the TCCI Board was concerned.

To the best of my knowledge, I concur with the remaining substance of the report and its overall conclusions.

Introduction

Introduction

Background

Following a preliminary meeting, on 18 April 2008 the Tasmanian Chamber of Commerce and Industry (TCCI) wrote to the then Premier seeking Government financial support for the still to be established, Tasmanian Education Foundation (TEF or the Foundation):

The Education Foundation can only succeed if it has strong private and public support. Expressions of support have been received from major employers and foundations in Tasmania including ... Whilst encouraging, those private pledges rely on a similar demonstration of commitment from your Government.

.... we would be hopeful of attracting up to \$1.5 million per annum from the private sector. For the Education Foundation to be successful in both its own activities and championing the literacy foundation, a similar commitment would be sought from your Government.¹

Significantly, to allow private sector donations to be tax deductible, it is necessary for charitable or philanthropic bodies to have Deductible Gift Recipient (DGR) status from the Australian Taxation Office (ATO). Therefore, it would be necessary for the Foundation to obtain that status before it could attract donations. However, obtaining DGR status can be a complex and drawn out matter without guaranteed success.

Government announced in its 2008–09 Budget support funding of \$1 M over two years (\$500 000 in each of 2008–9 and 2009–10) for the TEF. Government — as distinct from either the Department of Education or the Department of Premier and Cabinet — had established that level of funding although we have not been able to establish how this level was determined or how the amount of \$1 M was arrived at other than being based on affordability. The Budget Papers noted that:

The Foundation's prime purpose will be to promote the value of education and learning in the Tasmanian community and achieve a significant increase in the Tasmanian community's appreciation of the benefits of education to the individual and the community. The contribution from the Tasmanian Government will be matched by private sector contributions. The Tasmanian Government funding is

¹ Extracts from TCCI letter to the then Premier dated 18 April 2008

designed to ensure that the activities of the TEF address issues associated with improving adult literacy.²

The budget initiative represented a policy decision of the Government; it was included in the Department of Education's (DoE) budget, making it responsible for achieving the policy objectives over the two-year time frame.

Confirmation of the budget initiative was provided in a letter from the Premier to the Foundation on 30 June 2008 at which time he reconfirmed that the project should address adult literacy (adult literacy was not included in the TCCI's initial proposal). There was also a requirement for the Foundation to prepare a business plan and, importantly, the Premier concluded by noting, 'The Government will then enter into a formal agreement with the Foundation.'

The business plan was submitted in February 2009 and following its assessment by DoE, \$100 000 was paid to the Foundation in mid-April as seed funding. At that time, the Premier again wrote reconfirming Government's commitment of \$1 M over two years, commenting on aspects of the Foundation's business plan and calling on the Foundation to:

- Detail how it would measure the impacts of its initiatives isolated from other initiatives being implemented by government and others.
- Invite a senior Officer from DoE to attend future Foundation board meetings.

Following an urgent request for funding in late May 2009, based on advice by the Department, the Premier wrote to the Foundation in early June 2009 agreeing to release a further \$150 000, to support the Foundation's current activities. The letter advised that the remaining \$250 000 budgeted for 2008-09 would be carried forward into the 2009-10 financial year and that:

Any portion of the remaining Government contribution will be released as the TEF is in a position to match that portion with private sector contributions in dollar terms. Carrying forward the \$250 000 recognises that the TEF is still seeking deductible gift recipient status.

A number of Foundation Board members resigned, one prior to and the others in and around June 2009.

Because these matters involved expenditure of public monies, the Auditor-General decided to initiate an audit of the funding

² Extracts from 2008-09 Budget Paper No 1

arrangements, applying section 23(c) of the *Audit Act 2008* (‘investigating any matter relating to public money or other money, or to public property or other property’).

At the time of preparing this Report, all but one of the Board members had resigned which we understand leaves the TEF exposed and is a breach of the *Corporations Act 2001*.

Audit objective

We framed the audit to cover matters of effectiveness and compliance. There were three objectives:

- To assess the effectiveness of government’s oversight of the expenditure of up to \$1 M of taxpayer’s funds. Oversight includes the spectrum from the original budgetary approval to the actual expenditure of public monies
- Compliance by DoE with Treasurer’s Instructions 709 *Grant Management Frameworks* (TI 709)
- Evidence of compliance by the TEF with normally acceptable governance arrangements including expenditure controls, at least as these related to the expenditure of funds provided by the State.

Audit scope

The audit scope was concerned with:

- Government’s role in agreeing to appropriate \$1 M to DoE for the purpose of providing funding to the Foundation over two financial years
- DoE’s role in funding and monitoring the activities of the Foundation
- The establishment, governance, funding and financial operations of the Foundation
- The time period from April 2008 to 31 July 2009.

Audit criteria

The audit criteria developed for this audit were aimed at addressing both compliance and effectiveness aspects as follows:

- Compliance — were the payments made by DoE in compliance with TI 709?
- Effectiveness — were there reasonable grounds to believe that the TEF was an effective mechanism to

achieve government objectives, while meeting reasonable standards of governance and ethical behaviour?

- Effectiveness — were reasonable steps taken, either after or before funding was provided, to ensure the TEF was achieving objectives and meeting reasonable standards of governance and ethical behaviour?

Audit approach

To conduct the audit, we:

- examined documentation
- interviewed relevant persons.

Format of the report

The structure of our report does not mirror the audit criteria listed above. However, the substance of those criteria is covered in detail in successive chapters.

Timing

Planning for this audit began in July 2009. Fieldwork was completed in September and the report was finalised in October 2009.

Resources

The total cost of the audit excluding production costs was \$28 500.

1 An ideal approach

1 An ideal approach

1.1 *Background*

During the course of the audit, we explored what might be regarded as ‘better practice’ for funding by government of the activities of a private institution. Such arrangements are not new with government funding numerous non-government organisations particularly through the Department of Health and Human Services. In this regard, standard funding deeds exist that document respective responsibilities and agreed funding outcomes.

In addition, TI 709 has existed for some time and provides effective requirements for departments to follow when providing grant funding.

A ‘better practice’ model we identified, which was not dissimilar to the TEF arrangement, was the establishment of Common Ground Tasmania (Common Ground). It was established over a similar timeframe to the TEF and exhibited elements we regarded as both effective and relevant to TEF arrangement. This included, for example, the need to raise tax deductible philanthropic donations giving rise to the early need for deductible gift recipient (DGR) status to be granted. This Chapter documents these elements.

Although the beginnings of Common Ground were propitious, it is too early to tell whether it will achieve its set objectives.

1.2 *The Common Ground project*

The establishment of a Common Ground project in Tasmania was modelled on similar initiatives in New York and Adelaide. It addressed homelessness, an objective that was consistent with Government’s new Social Inclusion Unit.

Initial concept development occurred between March and July 2008 and the Deputy Premier wrote to the proposed chair of Common Ground in July 2008 supporting him in his role and noting:

In March this year, the Tasmanian Government established a Social Inclusion Unit in the Department of Premier and Cabinet to develop whole-of-community solutions to complex social issues.

That letter also spelt out Government’s requirements and detailed the need for the establishment of a Steering Committee which was established to set up Common Ground as a legal entity. Those requirements included its membership comprising the inaugural Chair, representatives from the Social Inclusion Unit and Housing Tasmania, a consultant representing Government’s interests, representatives from Hobart City Council and community sector and

Business sector representatives from the North, South and North-West parts of the State.

Importantly, the letter detailed who within Government would work with Common Ground as it progressed its establishment.

Also, the work conducted in the lead up to the letter was done by senior staff within DPAC. These staff and a consultant were instrumental in the activities of the Steering Committee, in particular providing secretarial support and advice regarding Government's requirements before it provided any funding.

1.3 *Activities undertaken by the Steering Committee*

During the period August 2008 to April 2009, the Steering Committee carried out the following activities:

- identified membership of its Board that was announced in early April 2009
- with pro bono support from a local law firm, developed a constitution and registered a not-for-profit company which was applying to the ATO for DGR endorsement and as a tax concession or income tax-exempt fund
- calculated the amount of Government's proposed one-off grant funding of \$150 000 which was aimed at providing seed funding to cover establishment and ongoing operational costs.

As noted previously, the Steering Committee received secretarial support from Government in the form of work performed by a senior staff member in DPAC's Social Inclusion unit and the government-funded consultant.

1.4 *Grant for the establishment of Common Ground Tasmania*

In mid-May 2009, following receipt of a comprehensive briefing, the Secretary DPAC approved a one-off establishment grant of \$150 000 to Common Ground. When doing so he:

- signed a funding agreement (grant deed) between Government and Common Ground which had been developed over the period August 2008 to May 2009
- provided a letter to Common Ground explaining the process for releasing the funding
- noted completion of a Common Ground Risk Assessment and Management Plan

- noted that the funding of \$150 000 was intended to include:
 - preparation of strategic and operational plans for Common Ground projects
 - undertaking its own operational and administrative functions including secretarial support to its Board
 - establishing a financial model and business case to ensure its sustainability
 - preparation and implementation of a fundraising strategy
 - oversight by the Board of all aspects of corporate accountability.

It was intended that, once the grant had been paid, secretarial support by the Social Inclusion Unit would cease but the Unit would provide ongoing strategic policy advice to Common Ground.

1.5 *Comparison with TEF*

The following parts of the Report compare and contrast the situations of Common Ground and TEF.

1.5.1 *Similarities*

There are many similarities between the TEF and Common Ground projects including:

- government and the private sector working together to achieve common social objectives
- establishment of a private company with the specific objective of managing and achieving common social objectives
- appointment of a board without any public sector membership
- pro bono support provided particularly in the form of legal and accounting advice
- the need for the private company to obtain DGR status and/or recognition as a tax concession charity or income tax exempt fund.

1.5.2 *Differences*

There are also a number of important differences between the two organisations, some of which are summarised in Table 1.

Table 1: Differences between the TEF and Common Ground approaches

Common Ground Tasmania	Tasmanian Education Foundation
Concept determination	
– Initiated by Government following its own research	– Initiated by the TCCI not by government or DoE which may have influenced subsequent actions
Appointment of the Board Chair	
– Board Chair identified and endorsed by Government	– Appointed by the Foundation
Initial commitment by Government	
<p>– Government committed resources to the concept in the form of senior DPAC staff and a consultant familiar with Government grant processes (however, at this stage, no funding was committed)</p> <p>– Responsibilities within Government were clear — this was a project to be managed by DPAC</p>	<p>– Commenced with a Budget commitment, within DoE’s portfolio, of \$1 M over two years</p> <p>– No-one within Government worked with the Foundation to get it operating nor were funds provided until completion of a business plan — this was left to it although some of Government’s expectations were spelt out in writing. Legal advice indicated that a government employee could not be appointed to the Board. However, in August 2008, a senior DoE executive offered to attend Board meetings as an observer — this offer was not taken up</p> <p>– Responsibilities were not clear. The budget was developed by government. Much of the initial work, including drafting of initial correspondence was done in DPAC. Subsequent to this, the interface between the TEF and Government was primarily by Ministerial staff</p>

Steering Committee	
<ul style="list-style-type: none"> – Government initiated the establishment of a Steering Committee with very clear objectives – Steering Committee supported by senior staff from DPAC 	<ul style="list-style-type: none"> – No Steering Committee was established
Establishment of a corporate structure	
<ul style="list-style-type: none"> – Common Ground established a constitution and a corporate structure 	<ul style="list-style-type: none"> – Corporate structure still not completely finalised although this did not prevent the TEF from commencing some of its activities
Gaining DGR and tax exempt status	
<ul style="list-style-type: none"> – Both achieved 	<ul style="list-style-type: none"> – Tax exempt status obtained but not DGR. Much work was done in this regard but, as noted in the Introduction, this can a lengthy process
Risk assessments performed	
<ul style="list-style-type: none"> – By DPAC — yes – By Common Ground Board — this will now be a requirement particularly as it develops its strategic and operational objectives 	<ul style="list-style-type: none"> – By DoE — no. However, we acknowledge that from DoE’s perspective, a number of risk mitigation strategies existed (see Chapter 3) – By the Foundation — no evidence of one although we noted that the TEF board, on the few occasions that it met, applied appropriate processes
Board members appointed	
<ul style="list-style-type: none"> – Appointed by Common Ground with guidance on membership provided by Government. Membership representative of various sectors 	<ul style="list-style-type: none"> – Appointed by the Foundation. Persons appointed had significant and relevant expertise
Development of funding agreement/deed	
<ul style="list-style-type: none"> – Developed as part of the work of the 	<ul style="list-style-type: none"> – Negotiations to develop a funding deed only commenced late in 2008–09. At

Steering Committee	<p>the time of reporting, completion of the deed had been put on hold</p> <ul style="list-style-type: none"> – We would have expected negotiations for a funding deed to have commenced immediately upon receiving the business plan – DoE made an initial payment of \$100 000 and a subsequent payment of \$150 000 both of which were made following exchanges of correspondence, consistent with Treasurer’s Instructions
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Common Ground Tasmania	Tasmanian Education Foundation
Development of the budget	
<ul style="list-style-type: none"> – Developed by DPAC based on comparative evaluation of funding provided in South Australia – At the time of approving the grant, the Secretary DPAC was advised what the funding was to cover 	<ul style="list-style-type: none"> – The budget was developed by government, based on affordability – At the time that the budget was established, it was not clear what the funding was intended to cover
Achievement of government’s policy objectives	
<ul style="list-style-type: none"> – Work in progress — too early to tell but DPAC is advancing the Government’s policy objective. 	<ul style="list-style-type: none"> – Not yet achieved by DoE

The existence of a differing approach should not be interpreted as good or bad or right or wrong. However, our assessment of the approaches adopted to establish the two organisations suggests to us that:

- Government saw benefits in the public–private approach offered by the Common Ground initiative and committed resources to its embryonic development.
- Government also saw the benefits of public–private approach through the Foundation. The budget for this was developed by Government, not the responsible agency, and funds were committed to it. However, an offer for expert input by government was not taken up by the Foundation.

- Government paid \$250 000 in accordance with Treasurer's Instructions.

1.6 *Conclusion*

It is too early to conclude whether or not the Common Ground initiative will be successful. However, its establishment received strong Government advice and support at the departmental level.

In contrast, government advice to the TEF was not provided although engagement by DoE at Board meetings was offered.

2 Risk management

2 Risk management

2.1 *Background*

TI 709 required completion by DoE of a risk assessment and management plan. The Australian Stock Exchange's Corporate Governance Principles and Recommendations also include the need to recognise and manage risk³.

2.2 *Education's responsibility*

We found no evidence of any risk assessment having been done by DoE. However, we acknowledge the following actions that were relevant risk mitigation strategies:

- The statement in Budget Paper No 2 Volume 1 clearly required that any Government funding would be matched by private sector contributions. Discussions with DoE indicate the department understood that no funding would be approved until matched funding was obtained by the TEF. Therefore, no funding agreement was considered necessary until such time that matching funding was likely to be sourced.
- The Premier's letter to the TEF in June 2008 made clear the need for the TEF to prepare a business plan covering its first two years of operations. Only then would the Government enter into a formal agreement with the TEF and release any funds.
- TEF Board members had relevant and significant experience.

DoE confirmed that a risk assessment and a management plan will be prepared as part of the current negotiations for a funding deed. However, an earlier assessment may have identified risks such as:

- impediments to the achievement of Government's policy objective as announced in the 2008–09 budget
- what might go wrong with the TEF. This is easily noted in hindsight but it is clear to us that as early as August 2008 there were differing points of view about many aspects of the TEF proposal
- lack of engagement between the Foundation and DoE — although, if the offer of engagement with a senior DoE employee had been taken up by the Foundation early in

³ *Australian Stock Exchange's Corporate Governance Principles and Recommendations* 2nd edition

2008–09, expectations could have been better managed from the outset.

DoE operates an effective risk management committee whose expertise could have been sought.

Recommendation 1

The Department of Education should conduct a risk assessment prior to finalising any funding deed with the TEF or advancing further monies.

2.3 The Foundation's responsibility

The Foundation was not required to comply with the ASX Governance Principles but we would have expected it to have conducted some kind of risk assessment. The audit highlighted at least the following areas which subsequently led to misunderstandings between the Government's requirements and the Foundation's expectations that a risk assessment may have identified:

Budget requirements

The detail in the budget speech differed from that in the Budget papers. The latter required matched funding and inclusion of adult literacy with the former simply stating that funds would be provided to establish the Foundation. Surprisingly, the Foundation relied on the budget speech and did not cross reference the detailed expectations in the Budget papers.

Grant funding

It is evident from the documentation examined that the TEF anticipated the funding provided by Government would be untied. Also evident was that the TEF anticipated payment by Government of its commitment of \$500 000 early in 2008–09 to enable the Foundation to pursue DGR status, develop the required business plan and to establish necessary administrative arrangements. This was not Government's understanding and it turned down requests for funding until after the business plan was received in February 2009.

This is not to say that the TCCI and members of the TEF Board did not incur costs or expend significant time on

these matters — it was clear from documentation examined that they did.

That situation may have led to the Foundation's Chair initiating expenditure in the expectation of receiving untied funding from Government.

Matched funding

The expectation for matched funding became a major impediment. The TCCI's letter dated 18 April 2008 made references to private sector funding being obtained although it was not explicit that this would be in cash. However, DoE consistently advised us of the department's expectation that its contribution be matched by cash funding from the private sector and/or the TCCI. We acknowledge the TEF's position that matched funding in cash terms was unlikely to be achieved until DGR status, without which private sector funds could not be attracted, was obtained by the TEF and that this was explained to Ministerial advisors. However, the full implications of this were not clear to DoE until May 2009.

Business plan

The Premier's letter of June 2008 required the Foundation to prepare a business plan and stated that a funding deed would only be prepared once the business plan was completed. It is clear from documentation examined that the TEF did not anticipate this pre-condition. A TEF board member approached Ministerial officials and various agencies for assistance in locating a model business plan but not the lead agency in this case being DoE. Ultimately the TCCI and TEF Board members developed the business plan.

Contact within Government

There was an understanding by the Foundation that its primary point of contact within Government was Ministerial officials. These persons, while having significant influence, had no authority to make decisions or commit funding — this was DoE's responsibility.

Failure to engage with Education

There was a failure to engage DoE in the deliberations of the TEF Board. It is acknowledged that the Foundation tried to appoint someone from DoE to its

Board. This failed for legal reasons but should not have prevented participation in a facilitating role.

In addition, we would expect that a risk assessment would also have identified and articulated the following questions:

- How should the Foundation manage conflict of interest risk? (This is discussed further in Chapter 4).
- How the Foundation would handle delays in obtaining DGR status and any implications of this for day-to-day operations in the interim period?
- What was to happen the Foundation's investment in this project should public funding, and private sector funding, fail to eventuate?

2.4 Conclusion

A major impediment to the successful establishment of the Foundation was a lack of understanding by it of Government's expectations and requirements prior to funding being provided. Earlier engagement between the Foundation's Board and senior DoE officials, not with Ministerial officials, may have resolved this.

A risk assessment should have been conducted by the Foundation as soon as it received the Premier's 30 June 2008 letter.

DoE, as the agency responsible for achieving Government's publicly announced policy directive, should have taken a stronger role in its dealings with the Foundation Board and have conducted a risk assessment.

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3 Managing conflicts of interest

3 Managing conflicts of interest

3.1 *Background*

An essential component of effective governance is the need to ensure that entities, particularly where they are funded by shareholders or taxpayers, enter into transactions on an arm's length basis. Where this is not possible, mechanisms for managing actual or perceived conflicts of interest must be established at the outset.

As an example, it is common for board meetings to include as a standing agenda item the need for conflicts of interest to be declared. Further, where a conflict is identified during the course of a meeting, the conflict should be declared with the particular board members(s) excusing themselves from the meeting while that matter is discussed and resolved.

With regard to the TEF, the potential for conflicts of interest arose in four respects:

- between the TCCI and the TEF
- within the TCCI
- within the TEF
- at the individual level — Mr Scobie.

3.2 *Conflicts between the TCCI and the TEF*

The TEF Board included the following three persons with very direct links with the TCCI:

- Mr Damon Thomas — initiated the meetings with Government representatives in about February 2008 and, in his capacity as the TCCI's Chief Executive Officer (CEO) at that time, he was one of the authors of the initial letter in April 2008. We note that Mr Thomas resigned as CEO of the TCCI in January 2009. There was a possibility of a perceived conflict regarding invoices charged by the TCCI to the TEF for time spent by Mr Thomas. However, Mr Thomas was unaware, and therefore could not support, the invoices raised. We found no evidence of any conflict of interest on his part.
- Mr Martin Rees — was also a co-author of the April 2008 letter. At that time he was a TCCI Board member and subsequently became its Chair. He resigned from the Board of the TEF some time prior to the other directors who resigned and before any reimbursable expenditure commitments were made or funds received

from DoE. We found no evidence of any conflict of interest on Mr Rees' part.

- Mr Andrew Scobie — was also a co-author of the April 2008 letter at which time he was a TCCI Board Member. He subsequently was elected Chair of the TCCI and is currently Acting CEO. Mr Scobie's role is discussed in Section 3.5.

3.3 *Conflicts within the TCCI*

The audit had no capacity to inquire into the activities of the TCCI. However, we noted that in response to queries raised regarding the TEF's briefing paper for stakeholders, which was attached to its April 2008 proposal, the Foundation noted that:

While the TCCI is a founding sponsor of the Foundation, it will have no direct influence over the activity of the Foundation, which will operate independently at the direction of its Board in line with its objectives.

We have confirmed that this response, part of a document titled 'Clarifying note in response to stakeholder feedback' was prepared by a senior TCCI staff member suggesting that the TCCI gave consideration to conflicts of interest in its relationship with the TEF as one of its founders.

However, we noted the following comments in an audit report reviewing expenditure of the Foundation:

The TCCI undertook to support the Foundation by seconding senior staff and other expert resources to the Foundation on the undertaking that when the Foundation received funding it would be reimbursed.

There is no documentary arrangement between the TCCI and the TEF except for a letter dated 13 June 2008 from the Chairman of the Tasmanian Education Foundation⁴ to Damon Thomas⁵ stating that "in the event that the Tasmanian Government funds the Tasmanian Education Foundation for an amount exceeding \$500,000 in the budget ... that the Foundation will meet the costs of approximately \$50,000 for research work which will be done by the TCCI in connection with the work of the Foundation.

The arrangements between the TCCI and the Foundation were poorly documented and unclear.

⁴ Also a TCCI Board member — TAO comment

⁵ In his capacity as CEO TCCI. Mr Thomas was also a TEF Board member — TAO comments

We concur with the auditor's conclusion.

Further, we have concerns regarding how, in practice, the TCCI could satisfy its stated intention of 'having no direct influence over the activities of the TEF'. Our concerns were:

- In the February 2009 business plan, the TEF noted it 'has been successful in gaining seed funding of \$50 000 from the TCCI'. We could find no evidence of payment.
- The TEF's audited financial statements at 30 June 2009 included \$58 243 reported as in-kind contribution from the TCCI which the auditor did not verify. That expenditure was not commissioned by the TEF Board.

We do, however, acknowledge from information provided that the TCCI was committed to supporting the Foundation (this was advised as being \$40 000 in-kind and \$10 000 in cash) and that it carried risks associated with non-recovery of amounts greater than this. We also note in Section 4.4 that the TCCI incurred costs in establishing the TEF and on its initial activities.

3.4 *Conflicts within the TEF*

As indicated in Chapter 2, we found no evidence that the TEF conducted a risk assessment. Had it done so, the make up of its Board meant that conflicts of interest would most likely have been identified as a risk. Despite the lack of a risk assessment, the Board minutes confirmed to us that the Board was well aware of its responsibilities in this regard. Conflicts of interest were identified and appropriately handled by the Board when it discussed the following proposals for:

- Mr Scobie to be the TEF's acting CEO
- business premises to be let by the TEF
- a marketing contract to be awarded.

We note that the last two points resulted from Mr Scobie's desire to physically and organisationally distance the TEF and the TCCI.

The Board explored these proposals to varying extents and in each case Mr Scobie, who was conflicted for each item, removed himself from the meeting. None of these items proceeded.

3.5 *Conflicts at the individual level — Mr Scobie*

This audit did not set out to investigate the activities of Mr Scobie. However, his various roles at the TCCI (as Director, Chairman and Acting CEO) and Chairman of the TEF made that necessary. Our views, based on the audit work conducted, were that Mr Scobie

went about establishing the TEF with significant enthusiasm and he had a genuine belief that:

- the TEF proposal addressed a gap in the demand side of the education equation
- the TEF initiative had significant benefits to government, the private sector employers of skilled labour and to the public of Tasmania
- that considerable funding would be needed to address these initiatives
- private sector support in the form of tax deductible donations would be forthcoming once the TEF was properly established
- the TEF required a strong CEO to manage its activities and achieve the objectives that it set for itself
- his behaviour at TEF Board meetings was appropriate.

Perhaps in his enthusiasm to get the TEF established quickly, the three initiatives that he proposed (see Section 3.4) had, at a minimum, to be perceived as placing him in a position of conflict of interest. However, (as noted in Section 3.4) the Board recognised these conflicts and none of the proposals were accepted.

3.6 *Conclusion*

Where it was aware of conflicts of interest, the TEF Board managed them appropriately.

Common membership of the TCCI and the TEF created a situation where managing conflicts of interest would be difficult. The arrangements between the TCCI and TEF were poorly documented and unclear. The TCCI incurred costs on behalf of the TEF that it never commissioned although the TCCI had properly resolved to do so. Complications developed and there were uncertainties as to the situation with promised seed funding.

Mr Scobie made proposals that placed him in a position of conflicted interests but these were properly managed by all members of the TEF Board.

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4 What happened to Government's money?

4 What happened to Government's money?

4.1 *Background*

From the outset, it was envisaged that the Foundation would always rely on some level of government funding and that reality was articulated in the business plan. Additional funds — either cash or in-kind — would be sought from philanthropic organisations, business and individuals.

In 2008–09, Government provided \$250 000 of a budgeted \$1 M over two years. We wanted to see what that money had been used for and how much, if any, of it remained.

4.2 *Non-government support*

With regard to non-government support, we noted the following:

- In the initial contact with Government, in April 2008, the TEF advised that expressions of support had been received from major employers and foundations in Tasmania.
- The business plan stated that the :
 - Foundation had been successful in obtaining seed funding of \$50 000 from the TCCI (discussed further in Section 4.3).
 - Board had received ‘... very encouraging indications of support, including publicly stated intentions to fund by ... [named entities]’.

Regarding ‘expressions of support’ and ‘very encouraging indications of support’, these are not commitments. We have confirmed with at least one of the named funders that discussions had been held with the TEF but no commitments entered in to.

However, based on these expressions of support it was not unreasonable for the TEF to include estimates in its business plan of funding from these sources, which it did. The business plan went on to note that fundraising would be the responsibility of the Board and of a CEO to be appointed.

4.3 *Seed funding by the TCCI*

As noted in Section 4.2, the TCCI indicated that it had provided \$50 000 in seed funding. It is unclear whether this was cash or in-kind but we expected, based on the description of this item in the business plan, that it would have been cash and not recoverable. As noted in Section 3.3, no such payment has been made.

4.4 *Did the TCCI incur costs?*

There is no doubt that the TCCI incurred costs in relation to the TEF initiative. These costs were in addition to pro bono time spent by TEF Board members and others.

We believe that the TCCI must have spent time and incurred costs at the following stages:

- Around February 2008 as it explored the TEF concept with Government
- Carrying out research enabling it to prepare the 18 April 2008 letter and attachments
- Responding to stakeholder comments about the proposal
- Seeking legal advice relating to the TEF corporate structure and preparing and applying for DGR and tax-free status
- Travelling and in meetings with the ATO and others
- Developing the business plan and draft governance manual
- In discussions with a research company regarding research proposals and later when presenting the initial findings.

These costs were quantified and subsequently invoiced to the TEF or recorded as in-kind contributions (details are provided in Section 4.7).

None of these costs were ever commissioned by the TEF Board.

4.5 *In-kind support for the TEF*

The budget included in the business plan anticipated receipt of in-kind and pro bono support from the private sector totalling \$300 000 in 2008–09 and increasing to \$700 000 by 2011–12.

We were provided with evidence of in-kind support for the TEF by a media company valued by it at in excess of \$390 000 for 2009–10 (and recognised in the audited financial statements).

4.6 *Payment for uncommissioned costs*

As noted several times in this report, the TEF Board never commissioned any costs and declined to do so due to the lack of available funds. Nevertheless, costs were incurred by the TCCI and, to an extent, subsequently recovered from the \$250 000 that Government paid.

The major single cost item incurred without TEF Board authority was the Stage One qualitative research project. The TEF Chair commissioned this research and did so on the basis that either:

- Funding would ultimately be provided by Government (it is noted that the research was commissioned prior to the payment by Government of the initial \$100 000).
- If funding were not forthcoming, the Chair would cover the cost personally.

4.7 *Application of the \$250 000 provided by Government*

The TEF received \$100 000 from Government in April 2009 and a second payment of \$150 000 in June 2009. Table 2 details how these funds, along with other funds earned by the TEF were spent.

Table 2: Summary of TEF's incomes and expenditures (1 Jul 2008 to 2 Sep 2009)

Details	In cash - \$	In kind - \$
Income (receipts)		
• Grant from Government	250 000	0
• Donations	100	0
• Support by the TCCI (Note 1)	0	58 243
• In-kind support by Southern Cross (Note 2)	0	0
• Interest earned	77	0
Total income	250 177	58 243
Expenditure (payments)		
• Market research	126 170	0
• TCCI for audited and approved invoices (Note 3)	69 475	0
• Support by the TCCI (Note 1)	0	58 243
• In-kind support by a media company (Note 2)	0	0
• Legal costs	3 786	0
• Meals associated with Research launch	1 349	0
• Other costs paid	1 609	0
Total payments	202 389	58 243
Amount unspent at 2 September 2009	47 788	
Amount reported as 'unexpended government grants' in the audited TEF financial statements at 30 June 2009	39 509	
Difference being accrued TEF costs not yet paid (Note 4)	8 279	

Notes:

1. The in-kind support provided by the TCCI to the Foundation primarily represents time incurred by employees of the TCCI on TEF activities. The auditor referred to in Section 4.8 did not verify these charges.

2. The in-kind support, also referred to in Section 4.5, was brought to account in the audited financial statements at 30 June 2009 but accounted for as unearned income on the balance sheet at that time.

3. These invoices were reviewed by the Foundation's auditor — see Section 4.9.1. The total paid comprised three invoices for \$51 760.15, \$12 219.50 and \$5 495.21.

4. This difference represented charges levied or provisions made for anticipated charges at 30 June 2009. For example, they included a provision to pay for charges anticipated from the Foundation's auditor.

The remaining \$39 509 is dealt with in Chapter 5.

4.8 *Did Government get value for its money?*

The budget commitment to the TEF in 2008–09 was for \$500 000, only half of which has been expended. For that \$250 000 — some of which should be recoverable (see Section 5.2), Government has, so far, not received value for money. This consideration does not take into account administrative and management costs.

This is not to say that there is no intellectual property value in the work carried out by the TCCI and by TEF Board members in progressing DGR status, developing the business plan and in the other administrative work that was done. Nor do I infer that there was no value in the market research costing \$126 170. This research is currently the property of the TEF and was not evaluated as part of this audit.

4.9 *Audits initiated by members of the TEF Board*

A local accounting firm was engaged to conduct two assignments, namely:

- An expenditure review — this was a one-off audit initiated by Board member Mr D Thomas, supported by Mr Scobie.
- In accordance with normal financial reporting obligations, audits of the annual financial statements of Tasmanian Education Foundation Limited (the Company) and of Tasmanian Education Foundation Trust (TEF). The Company was established to act as trustee of the TEF. During the period under review it incurred no costs and generated no income. It did not trade during the period under review and the audit resulted in the issue of an unqualified audit opinion.

4.9.1 Expenditure review

The auditor found that costs incurred from third party suppliers were consistent with purposes for which the Foundation was being established and related to it.

With respect to the costs related to TCCI employees, the auditor noted that:

- Invoices raised to the Foundation lacked clear documentation supporting staff time charges.
- Hourly rates charged to the Foundation were based on TCCI fee-for-service Industrial Relations rates (a secondment arrangement, particularly between related parties, would usually be cost recovery based upon salaries plus on-costs).
- The hours spent did not appear unreasonable based upon the auditor's understanding of the work performed by TCCI staff.

As noted in Section 3.3, the TEF's auditor noted, 'the arrangements between the TCCI and the Foundation were poorly documented and unclear'.

4.9.2 Audit of the TEF financial statements

The audit was concluded on 3 September 2009 with the auditors opining, with the exception that they did not verify in-kind contribution support, the TEF's financial report presented fairly, in all material respects its financial position at 30 June 2009 and its financial performance and cash flows for the year ended on that date.

However, as a result of their audit, the auditors issued a report to the Board that included a number of governance-related matters. These will need to be dealt with by a future Board.

4.9.3 TEF Board responses to the auditor's findings

Mr Scobie, in his capacity as the Foundation's sole director, responded to the auditor's findings and recommendations. These matters will need to be followed up by a future Board.

4.10 Conclusion

There is no doubt that both the TCCI and the TEF had to incur costs in establishing the TEF. However, sources of funding, timing thereof and governance arrangements for commissioning expenditure were not clear from the outset.

The TCCI and TEF Chair operated beyond their authority, at least as far as the TEF Board was concerned. However, the independent auditor was satisfied with the cash costs incurred.

To date, the Government has not received value for money for the \$250 000 spent. This is not to say that the Foundation's work did not result in the creation of intellectual property.

A future TEF Board will need to address a number of recommendations made by the TEF's auditor and arising from our audit.

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5 Is the TEF project worth pursuing?

5 Is the TEF project worth pursuing?

5.1 *Background*

The Introduction to this Report explains the reasons for establishing the Foundation. The likely benefits were seen as improved school retention rates and, in the longer term, a workforce with improved potential for economic output.

Based on proposals made to Government, it committed \$1 M over two years to the TEF concepts. That commitment was reinforced at a number of subsequent stages including following receipt of the business plan.

To date, not insignificant resources have been expended by various parties including:

- Government — \$250 000 of which \$39 509 remains uncommitted and which, amongst meeting other costs, funded qualitative research costing \$126 170
- Government — in unquantified staff time
- TCCI — in excess of \$130 000 of which \$58 243 was committed in-kind and \$69 475 was subsequently paid by the Foundation (see Table 2)
- Individual TEF Board members — the value of which has not been quantified.

Steps have been taken — currently on hold — to develop a funding agreement between DoE and the TEF.

5.2 *Are the investments to date worth pursuing?*

In June 2008, persuaded by a documented proposal made by the TCCI, Government signalled its policy intent in pursuing the TEF concept through a budget allocation. Subsequently, it paid \$250 000 against the allocation and carried forward the outstanding funds. At the time of writing this Report, \$750 000 remains committed in 2009–10. DoE is still responsible for achieving the policy directive aligned to the above funding.

Therefore, in the light of information disclosed in this Report, DoE must, in conjunction with the Foundation, evaluate Government's existing and any further commitment. In any event, the need for TEF to secure DGR status (to ensure the Foundation's viability as a charitable organisation) is crucial.

If Government's decision is that the original objectives of the Foundation are still worth pursuing and the investments made to date worth realising, then:

- The approaches adopted in establishing Common Ground are followed including the appointment of a Steering Committee. The process needs to be driven by DoE and not Ministerial staff.
- The recommendations made by the TEF's auditor are adopted.

On the other hand, if a decision is made to abandon the TEF concept, the TEF should be required to refund the remaining funds it holds, estimated at \$39 509, to Government. It should also hand over all research material.

Recommendation 2

We recommend that the Department of Education, in conjunction with the TEF, evaluate Government's existing and any further commitment to the Tasmanian Education Foundation.

5.3 *Conclusion*

If the TEF concept is to be pursued, more effective structures, such as the establishment of a steering committee and relationships are needed to make it work.

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Recent reports

Recent reports

	Tabled	Special Report No.	Title
Aug	2006	61	Elective surgery in public hospitals
Nov	2006	62	Training and development
Nov	2006	63	Environmental management and pollution control act by local government
Nov	2006	64	Implementation of aspects of the <i>Building Act 2000</i>
Apr	2007	65	Management of an award breach Selected allowances and nurses' overtime
Jun	2007	66	Follow-up audits
Jun	2007	67	Corporate credit cards
Jun	2007	68	Risdon Prison: Business case
Oct	2007	69	Public building security
Nov	2007	70	Procurement in government departments Payment of accounts by government departments
Nov	2007	71	Property in police possession Control of assets: Portable and attractive items
Apr	2008	72	Public sector performance information
Jun	2008	73	Timeliness in the Magistrates Court
Jun	2008	74	Follow up of performance audits April–October 2005
Sep	2008	75	Executive termination payments
Nov	2008	76	Complaint handling in local government
Nov	2008	77	Food safety: safe as eggs?
Mar	2009	78	Management of threatened species
May	2009	79	Follow up of performance audits April–August 2006
May	2009	80	Hydro hedges
Jun	2009	81	Contract management
Aug	2009	82	Head of Agency contract renewal

Current projects

Current projects

Performance and compliance audits that the Auditor-General is currently conducting:

Title	Subject
Profitability, and economic benefits to Tasmania, of Forestry Tasmania	Evaluates Forestry Tasmania's long-term financial and economic performance.
Speed detection devices	Evaluates Tasmania's speed detection devices enforcement program looking at the efficiency and effectiveness of the program.
Teaching of science in public high schools	Examines the quality of science teaching in Tasmanian high schools.
Public service productivity	Looks at the trends, prevention and management of stress leave, long term sick leave, suspension and poor performance. Also considers broad public sector efficiency measures.
Employment of family members by Members of Parliament	Examines process applied when recruiting staff in Electoral offices and in the offices of Ministers.
Major works procurement: Nation building, TI 1214 and TI 1299	Will assess Tasmania's public sector preparedness to comply with the Commonwealth's nation building funding requirements. Also examines public sector compliance with Treasurer's Instructions: <ul style="list-style-type: none">• 1214: <i>Agency Procurement Audit Requirements: building and construction/roads and bridges</i>• 1299: <i>Procurement for projects impacted by Nation Building and Jobs.</i>