



# Submission to the Non-Government School Legislative Review

January 2024

## SCHOOL BACKGROUND

Inaburra School was established in 1982 as a project of Menai Baptist Church (MBC). From humble beginnings and resulting from the significant effort of MBC volunteers to support its operation across the years, the School now has 1200 students from Kindergarten to Year 12.

The efforts of church volunteers, board members, architects, and even builders in the early years, are the main reason for the successful position that the School is now in.

While there seems to be a sad bias that assumes that any related party is somehow out to rot the system, we believe our school is evidence of integrity and commitment displayed by so many volunteers, to see a vision for a Christ-centred school pursuing excellence in education flourish in this place.

The School has sought to meet all review and audit requirements for all its years of operation. We have met financial audit expectations, BOSTES and NESA reviews, NCCD and census reviews, ACNC requirements, Government funding audits, and a multitude of other reviews across the years, and have been proud to demonstrate the integrity of the School's operation and the commitment to the pursue the founding vision of the School.

## OUR REVIEW EXPERIENCE

When Inaburra School was advised of a review by the Non-Government Schools Unit (NGSU) on 27 May 2019, we were not in any way reticent to participate. We had confidence in our processes and policies and were keen to demonstrate full transparency in the review process.

We were advised that the period of review was from 1 January 2018 to 31 December 2018. The review was to be undertaken by O'Connor Marsden and Associates (OCM). The School provided detailed documentation to OCM on 7 June 2019 as required.

The result of OCM's review was provided to the NSGU on 29 July 2019. The School was not provided with a copy until 14 April 2022. The result of the initial review is attached (Annexure 1) for reference. The review largely notes no issues of concern, though it did refer to a retirement gift card for a long-standing staff member, an ex-gratia payment to one staff member related to a large and complex project, and some operational policies which were not specifically documented. Overall, the report seemed to be positive.

Following this, the School was advised on 11 November 2019 that the Committee had identified a list of matters that potentially indicated that the school may be operating for profit – with a date range

from 2014 to 2018 (which I note were actually beyond the period of the audit). This included requests for further documents for review – requesting all business records for the matters listed, and no date boundaries. We were required to provide these documents within 28 days.

We responded on 4 December 2019 with a detailed response to all of the matters and with 72 separate attachments specifically addressing all the matters raised. We wanted to demonstrate full transparency and willingness to participate in the process.

Our next correspondence did not occur until 24 January 2022 from Carolyn Walsh advising that the Committee had agreed to recommend to the Minister that she declare the school to be non-compliant pursuant to s.83F of the Act. This came as a surprise, as we had provided a detailed report which addressed the matters raised in December 2019, and with the delay in hearing any further (over 2 years), anticipated that the NGSU had been satisfied with our documentation. Our experience was that timely and clear communication was not the NGSU's strong suit. While this period was impacted by COVID, we reasonably assumed that the NGSU team had not engaged in any new matters, and so our review was satisfactorily "in process".

11 matters were raised initially. On receipt of this advice from Ms Walsh in January 2022, we engaged our legal team. As a result of the matters raised, we also requested an internal review and went through this process, with the same thoroughness with documentation and timelines. I reviewed board minutes back to 1989, to provide a substantive review of the matters again. This process essentially was a repeat of the work undertaken in 2019, though some matters had been removed from the original list due to the documentation and explanations we had already provided, noting that communication around all of this from the NGSU was extremely poor.

I would note that additional matters were presented to the Advisory Committee to support a "for profit" decision, despite there being no dialogue with the School about them in any prior correspondence. No documents had been requested and incorrect assumptions were made in the NGSU report as a result. This was in relation to the purchase of two properties where we held full documentation of the process we followed but were not asked for it.

By the time we got to the internal review, there were four matters to review. Following the review, one was set aside and one more partially set aside. The remaining were affirmed. Our legal team were concerned by the contents of the internal review and what appeared to be a misunderstanding of documents, as well as some unreasonable expectations of commercial practices.

As we still felt strongly that the extensive evidence we provided each time had not been fully understood or considered, we then applied to bring the matter to the New South Wales Civil and Administrative Tribunal (NCAT) for the opportunity to speak to our case (such an opportunity not provided as part of the existing process up to this time). It would appear in hindsight that, had such an opportunity been a part of the internal review process, we may have been able to save months of work and significant investment in legal fees.

So once again, our legal team composed an extensive list of documents (with some additional documents from the earlier sets) as part of our application. Following receipt, the NGSU contacted us to arrange for mediation prior to a directions hearing. We took this to be a good sign, that on reviewing our documents one more time, they realised that there were factual errors in their review that could be addressed better in person.

On attending the mediation with our lawyer and also a barrister (at further cost to the School), the NGSU did not have anything they wanted to mediate over. They assumed we would want to settle,

which was not the case. We were not prepared to consider any settlement around matters that were factually incorrect. The NGSU also did not have anyone attend who had the authority to approve any arrangement that might have been discussed. The Crown Solicitor (representing the NGSU) did not appear to be adequately briefed on the details of the matter. In the end the NCAT mediator recommended we postpone the mediation and suggested we continued to work to a resolution separately prior to meeting with her again in early 2023.

While we still do not accept that we were non-compliant on any level, after having spent nearly 4 years on the matter, \$200,000 of legal fees and countless school hours working on documents and submissions, we sought a way to bring the matter to some kind of conclusion in late 2022. We have since negotiated an agreement around one matter only, our explanations around the other matters finally having been accepted by the NGSU. We have provided all that has been required under the agreement (submitted in full in July 2023) and subsequently a recommendation was made by the NGSU to the Committee at their October 2023 meeting. We are yet to be advised of its progress. The administration has continued to drag on for over 12 months since we agreed to settle the matter.

The comments that follow come as a result of this process, which has been a misuse of public funds on every level. There were significant issues of process, factual error, misinterpretation, failure to communicate and then miscommunicate throughout the process. The NGSU did not follow any process for asking questions or seeking clarifications. In each of our submissions with new documents, we sought to provide context and explain the background behind the matters to assist with their understanding. This would have been much easier face to face or by telephone rather than writing long and detailed submissions.

We were able to arrange for one telephone call to discuss the matter in 2020, but this was far from satisfactory and did not assist with our progress. When asking for advice and feedback on next steps, the response was uncooperative. Equally the mediation was also unsuccessful. The NGSU approach needs much reconsideration. From our experience, it seems that some changes need to come in relation to existing internal processes, specifically putting in place strategies to address what appears to be an approach by the NGSU which seeks to justify its existence by identifying even the most immaterial of expenses as evidence to support a non-compliance recommendation.

I should also note at the outset there seems to be serious conflict of interest in the DET undertaking these reviews. While independent schools in general would prefer to operate from a more bi-partisan standpoint (we believe that all sectors contribute to the future growth and stability of our community and all have an important part to play), the fact is that independent schools are seen as competitors by the DET, and yet DET is undertaking these reviews. This is of concern. It would be unheard of in private industry. In addition, the NGSU also seek to operate as an advisory body for school, however schools are understandably reticent to contact them individually for fear of then being targeted for these onerous and seemingly prejudiced reviews.

The recent revised draft Guidelines and proposed Regulatory Framework cannot fix what are inherent limitations in the legislation. As a result, we welcome the opportunity to provide feedback and comments as part of the legislative review.

## **CONSIDERATIONS**

### **1. Lack of understanding of School's current compliance regimes.**

There is a lack of knowledge of how schools already operate with compliance expectations. Existing review processes are already in place and the extensive data already collected by

NESA and the DET. NESA already completes an extensive Registration and Accreditation review, and in doing so already reviews not just curriculum requirements but also governance documents, manuals, related party transaction registers and school policies. The addition of another review and audit seems to be a waste of department time and resources. If there seems to be a gap in the existing NESA process, then this should be addressed by DET with NESA directly – rather than adding the burden of another compliance process to schools.

## **2. Lack of understanding of existing funding requirements.**

Schools now operate in a “no-win” situation in meeting the requirements of existing grant funding. A clear example is that capital funding provided through the Building the Education Revolution program in 2009-2011 was made with the requirement that funded facilities were to be made available for community use **at low, or no, cost**. This was one of the conditions of the significant funding provided to every school as part of this program.

However, the Legislation now requires that any school facilities used by community groups be hired out at **market rates**. Market rate does not meet the funding condition of **low, or no, cost** community access.

Changes to the legislation are necessary to address this clear contradiction. Schools are now in breach of their funding conditions in requiring market rates for community use. We have no advice on how schools are meant to operate in this situation. It also seems wasteful of resources especially in areas where local facilities are limited. Due to this schools are now sitting on facilities that would be of great benefit to local communities but cannot provide access due to cost constraints. Sports facilities, auditoriums all vacant on weekends or after school when community users are desperate for spaces.

## **3. Section 3.1 - What is actually necessary for the Operation of a School?**

Section 3.1 notes that a school will operate for profit if any of the proprietors’ assets or income (in so far as it arises from the operation of the school) is used for any purposes other than for the operation of the School. In addition, a school will operate for profit if it makes payments for property, goods and services that are not required for the operation of the School.

So, what is the purpose and function of a School? If we take the narrow view that it exists simply to deliver the required NESA curriculum, then every school, including public schools, would be in breach of Section 3.1.

For example – we can teach the PDHPE content at all levels without holding athletics and swimming carnivals. Drama can be taught without the need to see, or perform, any live performances. Music can be taught without running band or ensembles programs or school performances. These are extreme examples, but true.

Is delivery of curriculum content all we expect from schools? It seems that in recent times, schools are being expected to be so much more than a conduit for knowledge. We are expected to support student wellbeing, deal with antisocial behaviour, support students with diverse and extensive learning needs, and become some kind of quasi “family” for students who struggle to find their place in an increasingly complex world.

Schools have a role in demonstrating what acceptable community behaviour looks like. The socialisation element is important as community structures are less secure than in the past, and as humans find it more challenging to make connections with each other.

The NSW DET states that their “purpose is to prepare young people for rewarding lives as engaged citizens in a complex and dynamic society”. They also speak of a school’s role in communicating agreed community values - integrity, respect, responsibility, participation, cooperation, care, fairness, democracy. All good principles and wholeheartedly support that Schools have an important part in teaching these to students.

So, what activities should a school run to ensure these are taught to students effectively? The options are endless. Whichever we may choose to do this, a school will need to be able to justify the activity to the NGSU.

Each school has to try to make an argument for any activity that they do to somehow demonstrate that it is required for the operation of their specific school. Context is everything. Our School would struggle to make a case that a trip to a rowing regatta in Italy was required for the operation of the School, but other schools would be able to make a better case. Section 3.4 of the recent Draft NFP Guidelines speaks of the school’s ethos, purpose, and mission. This is where the NGSU tries to work with all the possible variations, but the lack of clarity on what is reasonable is a never-ending process.

The lack of clarity is detrimental to both schools and the NGSU. With the current wording, the NGSU have to *question* everything that takes place in a school, and likewise schools have to *justify* everything that takes place in the school. This wastes time and resources on both sides.

As part of the review of the draft Guidelines and Regulatory Framework, clarity is an ongoing issue. When schools ask for specific direction, the response from the NGSU is generally “it all depends”. For those working in the sector, we understand the wide range of different school contexts that exist. The clarity we are all asking for is actually going to be terribly hard to provide – as everything is relevant to individual school contexts. On one hand we crave clarity, but we also struggle to see how it can be unilaterally provided.

#### **4. Section 3.2 – Reasonable Market Value**

This is another area where the all-encompassing wording of the legislation creates more problems than solutions.

A school will operate for profit if a payment is made for “property, goods or services at more than reasonable market value”. I believe that the word “reasonable” is intended to simplify things, but it does just the opposite.

Schools already have purchasing policies, delegations of authority, and exemption processes to ensure that we can get the work done and still meet these requirements. Transactions are reviewed in accordance with policies by the School’s auditor each year, so these are already being carefully and regularly monitored.

Getting three quotes for purchasing is harder to do now, as tradespeople have more than enough work to do already: it takes them too much time to write up a quote knowing that only have perhaps a 1-in-3 chance of getting the work. Their quoting delays then mean that

the work has to be done in a hurry and then we are back to looking at using our exemption process as time constraints have now kicked in. We also know from experience that the cheapest quote is not often the best one – that a cheap price generally equates to poor quality work, which causes more trouble down the line.

Regional schools may only have one local contractor option for any work, and so they are doing the administration of exemptions for every contracted piece of work.

There is no exemption for ongoing consultancy arrangements. Schools will have their own consultancy team for capital works – architects, engineers, certifiers etc. When you have an architect who has been looking after works at the school for 10 years – where is the value in going to tender for architectural services every time works need to be done? This would be annually in most cases. Chopping and changing will end up with poor outcomes and more time expense. This is poor stewardship of the School's resources.

Real estate purchases may bring their own issues as these are large dollar transactions. A property purchase at auction is quite clear cut, but few neighbouring vendors will go to the bother of an auction and open house program when they are on the boundary of a school! When they approach a school considering selling, there is still no direction on how we should justify the process of private treaty sales.

Schools will pay for a valuation, and in some cases, more than one, to confirm their negotiation range. How do we then assess what is reasonable within the negotiation range? In one instance there was \$4m from the top to the bottom of the two valuation ranges. Do we need to sit in the middle, or do we have full latitude within the range? There is no advice on how this works and what any specific member of the NGSU team might consider reasonable.

If the vendor wants more than the range, how much more is reasonable? Valuers will now generally add an "above valuation" scope to assist but that can defeat the point of the valuation in some ways. The new draft Guidelines acknowledge that "reasonable" may be influenced by a range of factors including the type, size and location of the property, the structure and improvements on the land and heritage considerations. So, who actually decides what is reasonable in the context? How can schools have surety that they are balancing "reasonable" appropriately with "ethos, purpose, and mission"?

It would be helpful to accept the simple reality that no school wants to pay more than it should for anything they buy and so will of course be looking for the best deal possible. Let us do the best we can in the common marketplace that we are all operating in.

##### **5. Section 3.2 – Reasonable Market Value – Related party transactions.**

Separate to the comments above, related party transactions need close consideration and careful scrutiny. NGSU will have data around the broad range of issues they have uncovered in this space, and I have no qualms in supporting careful reviews in this area. All schools will have related party issues to deal with – from a board member with a child at the school right up to an associated entity sharing the use of common assets or offering to sell such assets to the School. These can range from small or large transactions, and they can be complex.

It would seem that efficiencies can be found in making this an area of greater focus for the NGSU, rather than just every transaction in general. Let our school auditors do their job as

they review general operational transactions compared with policy, and then have the NGSU target related party matters. The NGSU's draft regulatory framework speaks to a risk-based approach going forward – so it would be helpful to have their data to better understand where the greatest areas of risk are. Reduce the NGSU review scope to high-risk matters, and then include the School's auditors in playing a part around ongoing operations, policy, and process.

If necessary, require school auditors to report to the NGSU annually of their findings, or just discrepancies. Let the auditor assess materiality school by school, as they already do this as part of their audit. They understand the school context already and can report to the NGSU if given a clear scope of review.

## **6. Attracting quality Board members**

Related party transactions are complex, and in these situations, it is important that Board members understand the issues. All Board members undertake NESA accredited training; however, it is increasingly hard to get volunteer board members with the business acumen and professional calibre to manage the complexity of the sector. I can only see this becoming harder into the future as volunteerism continues to decline. Considering the time involved, it would be a benefit for Schools to be able to pay a small stipend to Board members to allow us to attract people to the roles. Not anything like the amount paid to corporate boards, but some small recompense for the time investment.

If we want to see increased professionalism in the governance of the sector, we need to have some way to track down the right people.

I would suggest something up to \$2000 a year would be reasonable, or perhaps it could be linked to something like a % of the school fees for the highest year of study at the school.

For example, a primary school will Year 6 fees of \$12000, or a Secondary School with Year 12 fees of \$24000. A 10% fee-related stipend each year would not be onerous, or excessive, and certainly nowhere near what commercial boards pay. It would also indicate the gravity of undertaking a role. People do not value what they get (or do) for free. If a Board member is paid for their participation, then we also have a right to expect them to perform!

## **7. NGSU discretion.**

The legislation seems to provide little discretion or latitude for the NGSU in their administrative options when undertaking reviews. If an audit picks up any issues, they seem obligated to pursue them all. Even small matters cannot be overlooked. This is because the legislation says things like “**any** part of the proprietors’ assets”, for “**any** purpose other than for the operation of the School” and if “**any** payment is made by the school”. So, the NGSU seems to have no ability to filter out matters that are not material, or do not indicate an ongoing process or intent to defraud the system. The legislation should be amended to provide other avenues for review and feedback, for example some kind of review report with recommendations for improvements, not something that goes straight to the Committee and the Minister. A recommendation to the Senior NGSU Director for an “Improvement Direction” and a process for confirmation that the Direction has been followed, could be put in place to reduce the burden on the Advisory Committee and allow for smaller issues to still be dealt with, but not unduly waste time and money.

It also seems that the Committee, and the Minister, have few choices in the review system. A report goes to the Committee, and the Committee can only say No, not operating for profit, or Yes, operating for Profit. If it's yes, it must go to the Minister. Similarly, the Minister can either endorse the committee's view or overrule it. It would seem to be unlikely and unusual for the Minister to make a direction that was contrary to what their own department and the Advisory Committee have recommended. So, another situation where the bureaucracy backs the participants into a corner.

Why waste time and resources for the School, the NGSU, the Advisory Committee and the Minister, when there could be other alternatives available?

#### **8. Internal processes between the NGSU and the Advisory Committee**

As part of our reviews, it was explained to us by the NGSU that there is no mechanism for the NGSU to change or alter submissions already made to the Advisory Committee. It seems that once submitted, their conclusions and recommendations are fixed.

As there were omissions and misunderstandings in the reports provided to the Committee in our matter, the only way we could have these addressed after the internal review, was to go to NCAT at further time and cost for both the NGSU and the School.

This is a weakness in the system. There needs to be a way to the NGSU to revise a recommendation and have it reassessed by the Committee.

It would also be helpful for there to be more consultation with Schools as the steps in the process continue.

#### **9. Allowing Schools more scope to operate in a tight labour market.**

Payments to staff that are not contractual are an issue. The difference between an ex-gratia payment, and a work-related bonus, should be better defined. A voluntary payment to an employee without any obligation to compensate the employee is an ex-gratia payment. The NGSU has found instances of these which quite rightly should not have taken place. These should not be acceptable. Some are especially poor practice when they relate to relatives or related entities.

However, where a staff member has gone above and beyond, the option to pay them a bonus should be available to any employer. Provide us with a pathway and a clear process for approval to ensure these are done with full transparency and then let Schools manage their employees in a way that is fair and reasonable, and consistent with the labour market in general. It is hard enough to find good staff – let us try to keep them.

#### **10. NGSU process and communication.**

In April 2024, our matter will be coming up to 5 years since it began. At the time of writing, we are still waiting feedback from the NGSU regarding the outcome of the October Advisory Committee meeting, where our documentation was provided to confirm we have met the terms of agreement to bring our matter to a close.



This is simply too long. Changing the legislation to provide a tighter scope for NGSU reviews, options for addressing low risk/value matters, or matters than are not continuing practice, should allow the NGSU and the Advisory Committee to move forward faster.

Communication should be clear and correct (it was not). Copies of NGSU documents, reports and recommendations to the Committee should be proved to Schools in full. Transparency should work both ways. When we asked for copies of the information that had been provided to the Advisory Committee (to check for errors in fact), they were eventually provided, but were redacted to the point where there was little left to read. What was the point of this? What was there to hide?

Schools need to be provided with the opportunity to dialogue about issues, rather than waste countless hours collating what appeared to be irrelevant information as the NGSU trawled through details to find matters to investigate.

Schools should also have a regular reporting schedule when matters are sitting with the NGSU. In any requests for information, the school had 28 days to respond at any time, regardless of the time of year, school holidays etc. Yet the NGSU at one point took 2 years to reply to us. Reporting on progress from the NGSU back to schools seems to be a reasonable expectation, and with clear, defined time frames.

Schools should also be provided with a contact officer within the NGSU for their matter – so they know who to contact and also who to escalate to if required. It seems only reasonable to have similar service expectations for both sides of the process.

#### **11. Do parents/caregivers have a right to spend their own money?**

When parents/caregivers enrol their children in an Independent school, they do so at great additional cost to themselves. They have already paid their taxes and put money into the economy to support the public education system. It is their choice to spend additional personal exertion income to provide what they see as an education more aligned with their own values and aspirations. Or it may be because their children have special learning needs or talents that could be better supported in a different school environment.

They have a right to make these choices, just as they have a right to choose how they will parent their children in other ways. The State does not raise children – parents do. And while the State has a vested interest in the outcomes of education, the choices around how any parent supports their child's education should, and must, remain a parental right.

If a parent chooses to pay additionally for independent education, then why should the School be limited in the way that it utilises the funds that parents provide them? The market will determine if parents are satisfied or not with the service provisions they receive.

For example, while running an associated art gallery may not be necessary for the operation of the School, it may be advantageous for a school which has a strong visual arts emphasis. And if teachers from the School cross over their time in the gallery to improve their own creative practice, is this not ultimately for the benefit of the students? So should the School be paying the teachers for their time spent in the gallery – it is not required for the operation of the school, but it is of benefit.

What if a School, as it seeks to build community cohesion, starts a community choir? Who should pay the choir tutor? In many communities in lower income areas, it is not hard to see the social benefit of allowing participants to come at no cost. Should the School then pay the tutor? But is it required for the operation of the School? Based on the information we currently have, I would have to say it is not required, and therefore the School would be operating for profit.

There are endless options of this kind. As we seek to engage students (and families) in behaviour that builds strong community ties and values and creates a connection with the value of learning (not just in a classroom), the ability to creatively engage in programs like this is continually hampered by the current legislative limitations.

If these kinds of initiatives mean the parents pay higher school fees, and they don't want to, they can choose to go to a different school. The market will set the level based on the ethos, purpose, and mission of the School, and the commitment and capacity of families to support this in the context of their chosen school.

In some schools, the NSW funding they receive is less than 5% of the school's total revenue. What justification does the NSW DET then have to then review every transaction that takes place in the school? If the School was fully funded by the DET I can understand them wanting to ensure that government funds were being properly utilised, but it does not seem reasonable that funds sourced from parents are to be scrutinised in a manner that has felt, for some schools, to be a witch hunt.

As an alternative to all of this, what if we accept that one of the foundational elements of providing education and running a school is having qualified teachers who teach the prescribed NESA curriculum. Also, that the School must meet all other NESA requirements of policy, governance, compliance, and WHS. Let's call these Core School Expenses. If the NSW funding is fully utilised by all of these functions, should that not be a satisfactory acquittal of the NSW funding? All schools must provide these elements, and so it is an equal footing for assessment of spending. It seems reasonable then that Schools can then use any additional funds, which have been sourced from parents, as they feel is appropriate for the ethos, purpose, and mission of the School.

This would be somewhat like the funding acquittal process that existed some years ago with special grant funding. The School's auditor would be able to provide annual review and certification that government funding was fully utilised in covering the Core School Expenses.

This is supported by the existing Direct Measure of Income calculation process, which already and separately determines what level of funding a school community should have based on their capacity to pay from household income (Capacity to Contribute). If a school pushes fees up to a level that reduces their market pool of families (and thereby draws families that have higher household incomes), their CTC will increase, and the process will then adjust their government funding proportionately.

In the case of a special school which are often fully funded, their acquittal process will be more detailed, as it should be. An Independent school that is fully funded by the DET should demonstrate the way they apply funds for the operation of that School.

## **IN CONCLUSION**

I write “in conclusion” with some trepidation – my personal experience, as well as regular feedback I get from others in the sector, is that new issues and concerns are constantly being raised. The changes to the Act took place in 2014 – and ten years down the track, we are still seeking clarity.

On introducing the changes in 2014, Adrian Piccoli stated “The amendments in the bill are not about putting obstacles in the way of non-government schools, nor are they meant to constrain in any way a school's right to meet the particular needs of its community”. 10 years of experience shows this has not been the case. And contrary to his further statement that “The amendments enable the Government to meet the legitimate public expectation that funding provided to educate school students is used for that purpose”, time and funds expended by both the NGSU and Schools in negotiating the bureaucracy across the last ten years have diverted resources such that they have NOT been used to educate school students.

I can see that this review has the opportunity to make significant improvements to the current environment which will result in savings for both schools and the DET. I think that efficiencies can be found by taking advantage of the existing audit practices in schools and expanding them to identify areas of risk. Schools pay for their own audits already – why then expend additional public money on the current complex process with yet another audit?

The NGSU has a small staff and responsibility to review over 900 schools. By developing a reporting and review strategy for auditors, the NGSU can then apply their risk-based approach to target known areas of higher concern such as related party matters. By also streamlining their internal processes, and providing other mechanisms for reporting, communication, internal review, and correction, they will be able to get through more reviews each year and, in the end, cover the sector more efficiently.

I have already provided separate feedback to the NGSU regarding their draft Guidelines and Regulatory Framework, which provided more detailed specific examples where functional clarification is needed. I would be happy to provide this to you, should your review wish to test proposed legislative changes on current examples.

I appreciate the opportunity to provide feedback and would be happy to provide further input if required. I look forward to hearing further of positive changes to the legislation to enable better outcomes for students in all areas of the education sector in the future.

**Louise Hambridge**

Business Manager and Company Secretary,  
Inaburra School Limited

Vice President,  
Association of School Business Administrators, NSW

# ANNEXURE 1



**O'Connor Marsden  
& Associates Pty  
Limited**

ABN 94 135 783 792

Level 3, 1 York Street  
Sydney NSW 2000

T: 1300 882 633

IDD: +61 2 9252 2565

F: +61 2 9247 7161

[www.ocm.net.au](http://www.ocm.net.au)

Non-Government Schools Unit  
External Relations Policy  
Education Futures and Governance  
NSW Department of Education

29 July 2019

## Commercial-In-Confidence

### Report of Factual Findings

We have performed the procedures agreed with you to report factual findings for the purpose of assisting you in assessing, in combination with other information obtained by you, compliance by the Inaburra School with the requirements of Section 83C of the *Education Act 1990* (NSW) and the related Not for Profit Guidelines for Non-Government Schools. The procedures performed are set forth in the attached report with respect to the Inaburra School as of 26 July 2019.

#### *The NSW Department of Education's Responsibility for the Procedures Agreed*

The NSW Department of Education are responsible for the adequacy or otherwise of the procedures agreed to be performed by us. You are responsible for determining whether the factual findings provided by us, in combination with any other information obtained, provide a reasonable basis for any conclusions which you or other intended users wish to draw on the subject matter.

#### *Our Responsibility*

Our responsibility is to report factual findings obtained from conducting the procedures agreed. We conducted the engagement in accordance with Standard on Related Services ASRS 4400 Agreed-Upon Procedures Engagements to Report Factual Findings. We have complied with ethical requirements equivalent to those applicable to Other Assurance Engagements under APES 110 Code of ethics for professional accountants.

Because the agreed-upon procedures do not constitute either a reasonable or limited assurance engagement in accordance with AUASB standards, we do not express any conclusion and provide no assurance on the compliance of the Inaburra School with the requirements of Section 83c of the *Education Act 1990* (NSW) and the related Not for Profit Guidelines for Non-Government Schools. Had we performed additional procedures, or had we performed an audit or a review of the accounts payable in accordance with AUASB standards, other matters might have come to our attention that would have been reported to you.

#### *Factual Findings*

The procedures were performed solely to assist you in evaluating the compliance of the Inaburra School with the requirements of Section 83c of the *Education Act 1990* (NSW) and the related Not for Profit Guidelines for Non-Government Schools. The procedures performed, and the factual findings obtained are outlined in the attached report.

#### *Restriction on Use of Report*

This report is intended solely for the use of the NSW Department of Education for the purpose set out above. As the intended user of our report, it is for you and other intended users to assess both the procedures and our factual findings to determine whether they provide, in combination with any other

information you have obtained, a reasonable basis for any conclusions which you wish to draw on the subject matter. As required by ASRS 4400, use of this report is restricted to those parties that have agreed the procedures to be performed with us and other intended users identified in the terms of the engagement (since others, unaware of the reasons for the procedures, may misinterpret the results). Accordingly, we expressly disclaim and do not accept any responsibility or liability to any party other than the NSW Department of Education for any consequences of reliance on this report for any purpose.

Pamela Robertson-Gregg  
Director  
O'Connor Marsden and Associates

COMMERCIAL IN CONFIDENCE



Non Government School Section 83C Review

Inaburra School

ABN 51617812558

July 2019

COMMERCIAL IN CONFIDENCE

# Contents

Key Information.....	1
Governance.....	4
Financial Health.....	8
Asset Use.....	11
Salaries and other payments.....	16
Appendix A: Inaburra School Organisational Chart.....	24
Appendix B: Inaburra Communications Limited.....	25
Appendix C: Related Party Transaction Register.....	26
Appendix D: Directors Qualifications and Experience.....	27

COMMERCIAL IN CONFIDENCE

# Key Information

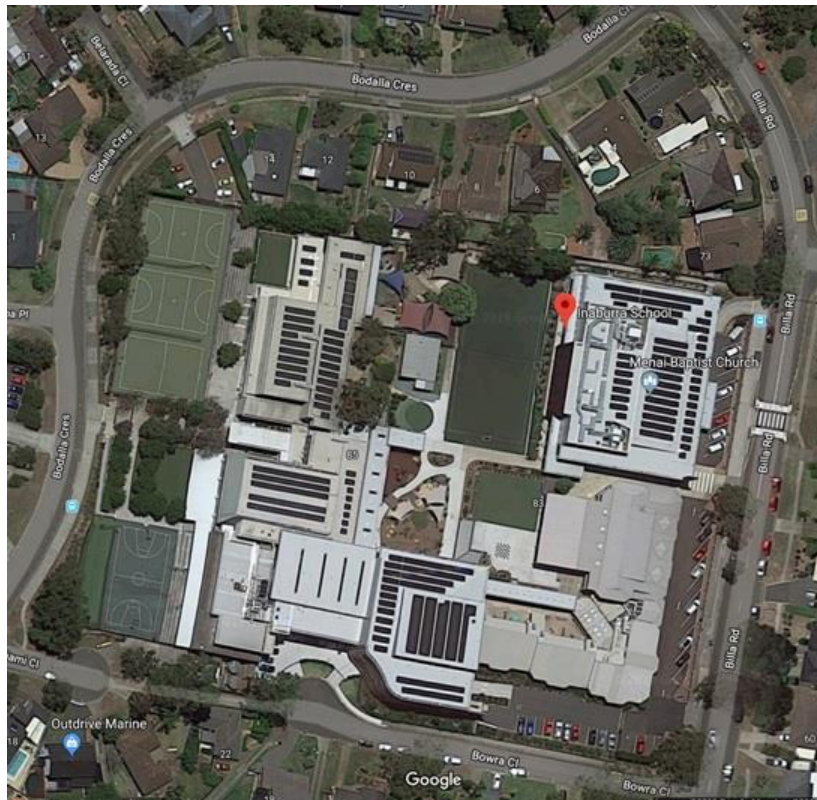
<b>Name of School</b>	Inaburra School Limited
<b>School type</b>	Primary and Secondary
<b>Year range</b>	K-12
<b>Trading name &amp; ABN</b>	Inaburra School – ABN 51617812558
<b>Registered with Australian Charities &amp; Not for Profits Commission (ACNC)</b>	Yes
<b>Parent Company</b>	Inaburra Communications Limited (Menai Baptist Church) ABN
<b>School system or network</b>	The Association of Independent Schools of NSW Ltd
<b>Owner of School Land &amp; Buildings</b>	<p><b>Buildings:</b> Inaburra School Limited</p> <p><b>Land:</b> Part Inaburra Communications Limited (leased to ISL), and Part Inaburra School Limited</p> <p><b>Investment Properties:</b> Inaburra School Limited</p>
<b>Name of Independent Auditor</b>	<p>Mr John Newton Partner Haywards Chartered Accountants ISL AGM</p>
<b>Date of Appointment</b>	21 May 2018
<b>Date of last audited accounts</b>	31 December 2018



## Operations

Operations	
Principal's name	Dr James Pietsch
Number of Students	1053
Number of teaching staff	88.4

## Google map image of school



## **Establishment of the school**

Inaburra High School opened in 1982 in temporary accommodation at Gymea Baptist Church. The School comprised of sixty (60) Year 7 students and (24) Year 8 students. Stage One of the Inaburra Complex was still under construction and it wasn't until Term 2 of that year that the School moved to the present site. On 24 May 1982, Inaburra High School commenced operations at the Billa Road site.

The school's mission is "*Inaburra exists to be a Christ-centred learning community pursuing excellence in education with every individual known and loved*". This vision is supported by six strategic priority areas; Empowering students as learners; Nurturing student and staff wellbeing; Promoting evidence informed teaching and learning; Sharing practice in a collaborative culture; Adapting learning environments to meet school needs; and, Strengthening sustainable school practices.

The school is operated by Inaburra School Limited (ISL), prior to that it was operated by Inaburra Communications Limited (ICL). To improve governance and compliance with legislative requirements, effective 1 January 2018, the School and all assets, excluding the land the school is built on, were transferred to ISL. ICL is the sole member of ISL and the companies share a common board.

## **Plans for Future Capital Development**

The school owns a number of the surrounding properties surrounding properties which are currently drawing investment income. The properties are managed by a real estate agent and expenditure on these properties currently exceeds income received from rent. The school advises that these properties were purchased on the open market with a view for further expansion of the school premises. The purchase of the properties has also reduced the level of complaint from neighbours of the school.

## **Registration**

Inaburra School is a fully registered co-educational school with NESAs (NSW Education Standards Authority) and offer courses from Kindergarten to Year 12 using the Australian curriculum and taught from a Christian perspective. All mandatory subjects are taught.

## **Financial Viability**

- (a) The School advises that it last underwent NESAs accreditation in 2016. The Certification of Financial Viability to NESAs was introduced in 2017, and as such the School have not been required to complete the form.
- (b) Page 18 of the 2018 ISL Financial statements i.e. Directors' Declaration, Item 2 states - "*In the directors' opinion there are reasonable grounds to believe that the company will be able to pay debts as and when they become due and payable*". The financial statements do not contain any additional disclosures in relation to going concern.

# Governance

COMMERCIAL IN CONFIDENCE

Governance			
	Risk	Agreed Upon Procedures	Testing Results
1.	Governance structure is unclear or undocumented.	<p>a) Does the School have a clearly defined Governance Structure which includes a Board and sub committees?</p> <p>b) What is the School Board's composition?</p> <p>c) What are the qualifications of the Board Members?</p>	<p>a) The Inaburra School Board is the governing body of Inaburra School. There are also two sub committees to the Board namely the Risk and Audit Committee(R &amp;A Meeting) and the Remuneration and Nominations Committee. The minutes of the Remuneration and Nominations Committee Meeting were not reviewed.</p> <p>b) The composition of the Board is made up of Members as indicated below:</p> <ul style="list-style-type: none"> <li>• Robert Dougall – Chairman</li> <li>• Jeremy Baillie</li> <li>• Alison Wolf</li> <li>• John Cross</li> <li>• Owen Thomas</li> <li>• Phillipa Hermann</li> <li>• Rev. Dr. Tim MacBride</li> <li>• David Sadler</li> <li>• Emma Penzo (resigned May 2019)</li> </ul> <p>All Board members are also board members of Inaburra Communications Limited. The Principal attends the Board in an ex officio capacity. The Board met each month during the 2018 year. The Principal is the CEO of ISL.</p> <p>In addition, the Administrator (and Company Secretary) of both ICL and ISL attends all Board meetings and provides appropriate reports and advice to the Board but is not a Board Member.</p> <p>c) The Board's qualifications, experience and special responsibilities as per the Director's Report within the 31 December 2018 audited financial accounts, is detailed at <b>Appendix D</b>.</p>
2.	The Board does not operate using commonly recognised good governance.	<p>d) Is there a Board Charter and/or a Board Governance Handbook?</p>	<p>d) The School Constitution outlines the legal basis for operation of the school (as a company limited by guarantee) and includes matters such as objectives, membership, Director appointment, functions and duties, committees, decision making, conflicts of interest, appointment of secretary etc.</p> <p>The Constitution is supplemented by the Governance Manual which provides further detail around matters such as responsible persons delegations, conflicts of interest, record keeping, related parties etc.</p>

Governance			
	Risk	Agreed Upon Procedures	Testing Results
			Document control in the Governance Manual indicates that it was last updated in February 2018 to reflect changes to governance as a result of the transition to ISL from ICL however some of the appendices to the document relate to 2017 and require updating, including the inclusion of the current principal as a responsible person.
3.	The Board does not operate using commonly recognised good governance.	e) Review the School's constitution and determine if it is written in a manner which aligns with the key aspects of the legislation. Give regard to areas such as: <ul style="list-style-type: none"> <li>o Application of Income &amp; Property</li> <li>o Appointment of Directors</li> <li>o Power of Board</li> <li>o Director's interests</li> </ul>	e) No issues of concern noted.
4.	School expenditure is not appropriately controlled.	f) Does the school have a Schedule of Delegations? g) Does the school enforce appropriate segregation of duties?	f) Appendix Three of the Governance Manual contains the <i>ISL Delegation Schedule</i> . No issues of concern noted. g) No issues of concern noted.
5.	The school is not supported by skilled staff.	h) Detail Business Manager/Bursar's details (full name, address) and any directorship/board appointments.	h) Administrator and Company Secretary Mr Stephen Brissenden, 2 Swan Street LILLI PILLI NSW 2229 Appointed 06/09/1990.
6.	The school is not supported by skilled staff.	i) Detail Principal's details and any directorship/board appointments.	i) Dr James Pietsch, Appointed 01/1/2018 The Principal is CEO and an ex officio attendee at Board meetings.
7.	The school is part of a broader structure which may unduly influence school decision making.	j) Detail the Group structure which the school belongs to (if applicable) k) Detail the school organisational structure.	j) The Group structure is detailed at <b>Appendix B</b> k) The School structure is detailed at <b>Appendix A</b>

Governance			
	Risk	Agreed Upon Procedures	Testing Results
8.	The school is operating outside of regulatory limits.	l) Has the proprietor/school received any correspondence from regulatory authorities, including the ATO or ACNC, or engaged with any solicitors, in the past three years?	l) The school confirmed no correspondence has been received. Nothing came to the attention of the reviewer during the performance of the review.
9.	Inappropriate gifts and benefits are being extended by the school.	m) Has the proprietor/school purchased any gifts to staff/students/others in the year that exceed \$300, if so detail these?	m) Gift Card for presentation to staff member at farewell. Retirement after 28 years' service to the School. Purchased on School Credit Card. Date of Transaction: 30/4/2018. Transaction No. 20174467 Amount: \$1,000.00.
10.	Inappropriate gifts and benefits are being extended by the school.	n) Does the proprietor/school have any staff loan arrangements with its employees?	n) Nothing identified in 2018 and nothing identified to the date of review – June 2019.
11.	Fraud & Corruption.	o) Is the school aware of any known fraud or corruption issues that have been previously been investigated or are currently being investigated either internally or externally by a third party?	o) The school confirmed they were not aware of any issues. Nothing came to the attention of the reviewer during the performance of the review.

COMMERCIAL

# Financial Health

COMMERCIAL IN CC

Financial Health																	
	Risk	Agreed Upon Procedure	Testing Results														
12.	Poor financial management.	a) Obtain a recent cashflow forecast (prepared in the past 3 months) and detail any projected cash flow concerns. b) Review Board and/or Audit Committee minutes to determine if management accounts are regularly presented and reviewed.	(a) Inaburra advise that they do not prepare a “formal” cashflow forecast for each R & A Meeting for review. All additional cash is applied to reducing debt (interest costs). Analysis used to calculate cash available to reduce debt was provided and no concerns were noted.  (b) Review of both Board and Risk and Audit Committee minutes indicates that; <ol style="list-style-type: none"> <li>i. Finances reports are reviewed in detail by the Risk and Audit Committee at quarterly meetings.</li> <li>ii. Minutes of the Risk and Audit Committee and accompanying financial reports are provided to the Board at their next available meeting following the Risk and Audit Committee meeting</li> </ol>														
13.	The school’s primary income is derived from activities which are not educationally focused.	c) Does the school have an executed Financial Accountability Certification for 2019? d) For the period being tested, does the proprietor/school generate revenue outside of tuition fees? If so, state the types of revenue and where possible, the value of each category of revenue.	(c) A Financial Accountability Certification – 2018 was executed by the school and their auditors, and provided as part of the review.  (d) Yes, A summary of revenue is detailed below. <table border="1" data-bbox="1075 813 1982 1292"> <thead> <tr> <th></th> <th>As at 31 December 2018</th> </tr> </thead> <tbody> <tr> <td><b>Recurrent government grants</b></td> <td>\$8,347,866</td> </tr> <tr> <td><b>Tuition, enrolment and other student fees</b></td> <td>\$15,140,865</td> </tr> <tr> <td><b>Revenue from;</b></td> <td>\$893,945</td> </tr> <tr> <td> <ul style="list-style-type: none"> <li>• School Canteen</li> <li>• Parents and Friends</li> <li>• Uniform Shop</li> </ul> </td> <td></td> </tr> <tr> <td><b>Rental income</b></td> <td>\$275,369</td> </tr> <tr> <td><b>Sundry Income (Including Interest)</b></td> <td>\$1,830</td> </tr> </tbody> </table>		As at 31 December 2018	<b>Recurrent government grants</b>	\$8,347,866	<b>Tuition, enrolment and other student fees</b>	\$15,140,865	<b>Revenue from;</b>	\$893,945	<ul style="list-style-type: none"> <li>• School Canteen</li> <li>• Parents and Friends</li> <li>• Uniform Shop</li> </ul>		<b>Rental income</b>	\$275,369	<b>Sundry Income (Including Interest)</b>	\$1,830
	As at 31 December 2018																
<b>Recurrent government grants</b>	\$8,347,866																
<b>Tuition, enrolment and other student fees</b>	\$15,140,865																
<b>Revenue from;</b>	\$893,945																
<ul style="list-style-type: none"> <li>• School Canteen</li> <li>• Parents and Friends</li> <li>• Uniform Shop</li> </ul>																	
<b>Rental income</b>	\$275,369																
<b>Sundry Income (Including Interest)</b>	\$1,830																
14.	The school’s primary income is derived	e) Are any non-school related activities run by the proprietor/school on school property, or are there any other registered	(e) No. Preschool and Church operated on school grounds by parent company under a licence agreement.														



Financial Health		
Risk	Agreed Upon Procedure	Testing Results
from activities which are not educationally focused.	<p>businesses or registered entities operated in or by the proprietor/school?</p> <p>f) Obtain a copy of the school's trial balance and report on any line items which appear unusual.</p> <p>Further testing detailed in Asset Use section of this report.</p>	(f) No unusual line items

COMMERCIAL IN CONFIDENCE

# Asset Use

COMMERCIAL IN CONFIDENCE

<b>Objective One (Regulation: Section 83 C(2)):</b>			
<i>(a) any part of its proprietor's assets (in so far as they relate to the school) or its proprietor's income (in so far as it arises from the operation of the school) is used for any purpose other than for the operation of the school</i>			
	<b>Risk</b>	<b>Agreed Upon Procedure</b>	<b>Testing Results</b>
15.	Disposal of school assets at other than reasonable market value.	<ul style="list-style-type: none"> <li>a) Review Asset Register and review any material changes to the Register in the last 12 months.</li> <li>b) Does the school have an Asset Strategy documented?</li> <li>c) Does the school have any upcoming large asset disposals or acquisitions?</li> <li>d) Does the school have asset disposal guidelines?</li> <li>e) Test a sample of (5) asset disposals during the period being reviewed. Detail the asset being disposed of, the value and the method of disposal. i.e. auction, direct sale etc. Were the proceeds of the sale used for the benefit of the school.?</li> <li>f) (if relevant) Test a sample of (5) asset swaps during the period being reviewed. Were the proceeds of the swap used for the benefit of the school.?</li> <li>g) Was a calculation of the gain or loss on the disposal/swap of the asset calculated? Was this gain/loss recorded in the trial balance?</li> <li>h) Sight evidence of asset stocktake or other review of assets to ensure</li> </ul>	<ul style="list-style-type: none"> <li>(a) Review of Asset Register indicates that material changes relate to purchase of properties surrounding the school held for investment purposes. Properties were purchased on the open market.</li> <li>(b) No Asset Strategy has been documented.</li> <li>(c) No upcoming disposals noted. Information provided by school (and Board minutes) indicate potential to purchase 73 Billa Road from Menai Baptist Church.</li> <li>(d) No specific asset disposal guidelines, Governance manual contains delegations for asset disposal. .50k ISL Board, &lt;\$50k Principal and Administrator.</li> <li>(e) Information provided indicates that the only assets disposals were computer equipment for the sum of \$46,305 in May 2018. Two quotes were sought. Proceeds were applied for the benefit of the school. No issues of concern noted.</li> <li>(f) No asset swaps conducted.</li> <li>(g) Assets were held at nil value (fully depreciated). Proceeds were not recorded in trial balance as a gain/loss on disposal. 2018 financial statements did not separately reflect asset disposal.</li> <li>(h) No policy for asset stocktaking. No evidence of asset stocktake or means of determining existence provided.</li> </ul>

<b>Objective One (Regulation: Section 83 C(2)):</b>			
<i>(a) any part of its proprietor's assets (in so far as they relate to the school) or its proprietor's income (in so far as it arises from the operation of the school) is used for any purpose other than for the operation of the school</i>			
	<b>Risk</b>	<b>Agreed Upon Procedure</b>	<b>Testing Results</b>
		existence of assets and identify asset loss. Record the date of the last count.	
16.	Leases or similar arrangements such as a licence or Management Services Agreement (as lessee) are not for the operation of the school and/or are not at reasonable market value.	<p>a) Obtain agreements for all school leases (as lessee) and similar arrangements such as Management Services Agreement or Licence arrangements.</p> <p>b) Do the arrangements relate to the operation of the school.?</p> <p>c) Is the site on which the school operates shared with a religious place of worship e.g. church, mosque etc</p> <p>d) Are the values of these arrangements clearly documented.?</p> <p>e) Review Board minutes or other evidence which demonstrates market value was tested/considered by the school prior to entering the lease.</p>	<p>(a) Lease with ICL from 1/1/18 to 31/12/2047 (with 2* 30 year options) for 75-85 Billa Road Bangor – Land only. \$190,000 per year with annual review. Lease provides (Schedule 1) for market valuation of land by qualified valuer annually to which the Landlord will then apply a discount factor based on the following considerations (summarised);</p> <ol style="list-style-type: none"> <li>1. ISL operates the school on behalf of MBC (ICL).</li> <li>2. MBC desires to continue its financial support for the School and to ensure fees are maintained at a reasonable level.</li> <li>3. MBC (ICL) has reasonable access to use the land and school outside school hours in accordance with the licence agreement</li> <li>4. MBC (ICL) will allow the school use land title deeds as borrowing security if required.</li> <li>5. The Preschool is allowed to continue to operate for the term of the lease and subject to the licence agreement for the Preschool</li> <li>6. The school's commission grant (1981) was partially applied for the purchase of the land subject to the lease.</li> </ol> <p>The discount factor on this lease was 50% of the assessed market value. Report from registered valuer notes that market rental is \$380,000 per annum.</p> <p>(b) Yes, lease is for the Land on which the school is built</p> <p>(c) Menai Baptist Church run services in the School Performing Arts Centre under a licence agreement. See 17 below.</p> <p>(d) Yes refer 17 below</p> <p>(e) ICL Board minutes of 17/11/17 indicate review and endorsement of the Lease to ISL.</p>
17.	School-owned property or assets are leased to third parties at other than market value or on unreasonable terms.	f) Review agreements for all school leases (as lessor) and similar for property and assets. Do the arrangements relate to operations of	(f) Licence agreements in place as follows; <ol style="list-style-type: none"> <li>i. Buildings, playground and car park licenced for 5 years (with 2 x 5 year options) to Menai Baptist Church (ICL) for the purposes of the Church. The licence is for all hours outside school hours and provides</li> </ol>

Objective One (Regulation: Section 83 C(2)):			
<i>(a) any part of its proprietor's assets (in so far as they relate to the school) or its proprietor's income (in so far as it arises from the operation of the school) is used for any purpose other than for the operation of the school</i>			
	Risk	Agreed Upon Procedure	Testing Results
		<p>the school.? Are the values of these arrangements clearly documented.?</p> <p>g) Review Board minutes or other evidence which demonstrates market value was tested/considered by the school prior to entering the lease.</p>	<p>particularly for (but is not limited to) Church Services and music practice. Licence fee is \$20,800 per annum. School advised that licence fee not calculated on a commercial basis and is a nominal fee and reflects the significant rental discount given to ISL from ICL in relation to the lease for the land the school is on. ICL also pay cleaning costs after each use of school facilities. The permissible use (limited) of the PAC (Performing Arts Centre) is subject to a D.A (Development application) Consent with Sutherland Shire Council.</p> <p>ii. Licence to the OOSH for \$1 subject to a 3% pa increase. Expired 31/12/18.</p> <p>iii. Licence to ICL for the operation of the Inaburra Preschool. 5 years (with 2 x 5year options) Licence fee of \$72,000 per year. Designated days and hours. Building to be used is specified in the agreement. Report from registered valuer notes that market rental is \$72,000 per annum.</p> <p>(g) ICL Board minutes of 17/11/17 indicate review and endorsement of the licence agreements.</p>
18.	School allows community use of school assets on unreasonable terms.	h) Review correspondence or formal agreements in place which allows the community to use school assets. Detail the key elements of any arrangements. Has the school retained exclusive use of facilities during school hours?	(h) Community use of school assets has been limited to use of the Performing Arts Centre by the NSW Electoral Commission as a polling booth for the 2019 election. Fee for hire of the Centre of \$250 was charged. Contract with SEC and remittance advice sighted.
19.	School has taken on loans which are not used in the operation of the school.	i) Describe the nature and purpose of any loans the proprietor/school has, and the counterparties of each loan.	(i) Borrowings as follows; <ul style="list-style-type: none"> <li>i. NAB Business overdraft (\$500,000) at 7.12% expiring 31/8/2018 and NAB Business Markets Loan \$17.1 million at 4.185%. Business Markets loan secured by mortgage over land (including land held by ICL by way of guarantee and indemnity). School advised funds</li> </ul>

<b>Objective One (Regulation: Section 83 C(2)):</b>			
<i>(a) any part of its proprietor's assets (in so far as they relate to the school) or its proprietor's income (in so far as it arises from the operation of the school) is used for any purpose other than for the operation of the school</i>			
	<b>Risk</b>	<b>Agreed Upon Procedure</b>	<b>Testing Results</b>
			<p>obtained to finance capital expansion (new buildings). Agreement to enter into loans approved by Board in accordance with delegation.</p> <p>ii. Master Asset Finance Agreement with NAB Equipment Finance. \$306,437.80 . Funds to finance the purchase of computer equipment.</p>

COMMERCIAL IN CONFIDENCE

# Salaries and other payments

COMMERCIAL IN CONFIDENCE

Regulation: Section 83 C(2)		
<p><i>(b) any payment is made by the school to a related entity or other person or body:</i></p> <p><i>(i) for property, goods or services at more than reasonable market value, or</i></p> <p><i>(ii) for property, goods or services that are not required for the operation of the school, or</i></p> <p><i>(iii) for property, goods or services that is in any other way unreasonable in the circumstances having regard to the fact that financial assistance is provided to or for the benefit of the school by the Minister</i></p>		
Risk	Agreed Upon Procedure	Testing Results
<p>20. Employee Salaries, Benefits and Severance Packages are not for the operation of the school and/or are not at reasonable market value</p> <p><i>(note for privacy reasons do not detail names of staff here, you must anonymise any information)</i></p>	<p>a) From a sample of (10) employment contracts and job descriptions detail if the employee's role does not contribute to the operation of the school.</p> <p>b) For the sample selected, detail the remuneration amount (including non-financial benefits) amount of any person within the sample where an exception has been identified.</p> <p>c) Does the school have personnel policies and procedures which consider staff leave, overtime, allowances, reasonable personal use of school's assets, recording of staff attendance and conflicts of interest.</p> <p>d) From a sample of (10) employees, agree remuneration payments to their employment agreements and, where appropriate, severance agreements. If applicable, determine if these severance agreements have been authorised in line with school delegations.</p> <p>e) Detail if any staff have received severance payments in 2018 or 2019.</p>	<p>(a) 10 Employment contracts reviewed. No issues of concern noted.</p> <p>(b) No exceptions were noted</p> <p>(c) Staff procedures manual (Teaching &amp; Support staff) addresses time and attendance, leave, use of facilities etc</p> <p>(d) All salary payments tested agree to the individual's contracts.</p> <p>(e) No severance payments noted</p>
<p>21. Goods and services purchased are not for the operation of the school or</p>	<p>f) Determine if the school has purchasing policy and procedures which outline appropriate procedures for purchase of goods and services</p>	<p>(f) No purchasing/procurement policy provided. Governance manual contains delegations for the purchase of goods and services but does not contain specific requirements as to market value testing. Staff procedures manual (Teaching &amp;</p>



Regulation: Section 83 C(2)		
(b) any payment is made by the school to a related entity or other person or body:		
(i) for property, goods or services at more than reasonable market value, or		
(ii) for property, goods or services that are not required for the operation of the school, or		
(iii) for property, goods or services that is in any other way unreasonable in the circumstances having regard to the fact that financial assistance is provided to or for the benefit of the school by the Minister		
Risk	Agreed Upon Procedure	Testing Results
purchase cost exceeds reasonable market value	<p>including provision for testing the market value of purchases at different cost thresholds (including testing existing relationships).</p> <p>g) Determine if the school has a credit card policy which outlines procedures for the allocation and use of school credit cards, regular acquittal of credit card expenditure and the retention of purchase receipts.</p> <p>h) Review a sample of (10) purchases:</p> <ul style="list-style-type: none"> <li>o determine if appropriate supporting documentation, goods were received and payments appropriately authorised.</li> </ul>	<p>Support staff) contain information on purchasing processes but no direction as to testing market value.</p> <p>(g) Credit card policy outlines procedures for the allocation and use of school credit cards, regular acquittal of card expenditure and the retention of purchase receipts.</p> <p>(h) Ten purchases reviewed; no exceptions were noted.</p>
22. Payments made for buildings and related works which are not for the operation of the school, exceed market value and/or cannot be substantiated.	<p>i) Review a sample of (5) building and related works transactions and:</p> <ul style="list-style-type: none"> <li>o determine if written quotes, detailing the scope of works were obtained (if required) by the school's purchasing policy.</li> <li>o determine if payments were compliant and authorised in line with the school's purchasing policy.</li> <li>o determine if services were received.</li> </ul>	<p>(i) A sample of five payments were reviewed. No exceptions were noted. Payments examined included a progress payment for the recent capital expansion at the school by Reitsma Constructions Pty Ltd. Select tender undertaken in relation to building works.</p>

**Regulation: Section 83 C(2)**

*(b) any payment is made by the school to a related entity or other person or body:*

*(i) for property, goods or services at more than reasonable market value, or*

*(ii) for property, goods or services that are not required for the operation of the school, or*

*(iii) for property, goods or services that is in any other way unreasonable in the circumstances having regard to the fact that financial assistance is provided to or for the benefit of the school by the Minister*

	<b>Risk</b>	<b>Agreed Upon Procedure</b>	<b>Testing Results</b>
23.	Payments are made for consultants/professional services that are not for the operation of the school or exceed market value.	<p>a) Does the school retain a policy on Consultant &amp; Professional Fees.</p> <p>b) Review a sample of (5) consultants/professional services transactions and:</p> <ul style="list-style-type: none"><li>○ determine if written quotes, detailing the scope of works were obtained (if required) by the school's purchasing policy.</li><li>○ determine if payments were compliant and authorised in line with the school's purchasing policy.</li><li>○ determine if services were received.</li></ul>	<p>a) No policy on Consultant and Professional Fees provided.</p> <p>b) Five transactions tested relating to consultants/professional fees. Three related to the payment of fees for various matters relating to the restructuring of ICL and the transfer of assets to ISL. Payments were made by ISL with recharges to ICL as follows;</p> <ul style="list-style-type: none"><li>i. 23/2/18 Prolegis Total \$14,784.86 Recharge \$1,477 to ICL. Confirmed ICL made payment to ISL.</li><li>ii. 30/5/18 Deloitte Private Total \$1330 Recharge to \$665 to ICL. Confirmed ICL made payment to ISL.</li><li>iii. 30/8/18 Prolegis Total 23,298.09. Recharge 9957.75 to ICL. Confirmed ICL made payment to ISL.</li></ul>
24.	The school borrows funds that are not for the operation of the school or not at reasonable market terms.	<p>c) Review all formal borrowing agreements and document:</p> <ul style="list-style-type: none"><li>○ The nature of the borrowings</li><li>○ The key terms of the arrangements</li><li>○ Board minutes or other documented decisions to enter into agreement</li><li>○ Detail who has authority to enter into Loan arrangement (as per the Schedule of Delegations)</li></ul>	<p>c) Borrowings as follows;</p> <ul style="list-style-type: none"><li>i. NAB Business overdraft limit (\$500,000) at 7.12% expiring 31/8/2018 and NAB Business Markets Loan \$17.1 million at 4.185%. Business Markets loan secured by mortgage over land (including land held by ICL by way of guarantee and indemnity). School advised funds obtained to finance capital expansion (new buildings). Agreement to enter into loans approved by Board in accordance with delegation.</li><li>ii. Master Asset Finance Agreement with NAB Equipment Finance. \$306,437.80 rate. Funds to finance the purchase of computer equipment.</li></ul>

<p><b>Regulation: Section 83 C(2)</b></p> <p><i>(b) any payment is made by the school to a related entity or other person or body:</i></p> <p><i>(i) for property, goods or services at more than reasonable market value, or</i></p> <p><i>(ii) for property, goods or services that are not required for the operation of the school, or</i></p> <p><i>(iii) for property, goods or services that is in any other way unreasonable in the circumstances having regard to the fact that financial assistance is provided to or for the benefit of the school by the Minister</i></p>			
	<b>Risk</b>	<b>Agreed Upon Procedure</b>	<b>Testing Results</b>
			Agreement to enter into loans approved by Board in accordance with delegation.
25.	Travel not connected with the operation of the school is paid for and/or exceeds reasonable market terms.	<p>d) Review the school's travel policies and procedures. Do they provide guidance in relation to class of travel?</p> <p>e) Review a sample of (10) travel payments. Determine if the travel complied with the school's travel policy, was for the operation of the school and was authorised in line with school delegations.</p>	<p>d) No travel policy provided. Neither the Governance Manual nor the Staff Handbook provide guidance on travel related expenditure.</p> <p>e) A sample was reviewed and no unusual items noted. All travel related expenditure examined was for the operation of the School and had been approved in accordance with the delegation schedule in the Governance Handbook.</p>
26.	Compensation or other one-off payments are made that are not for the operation of the school and/or are not reasonable	<p>f) Determine if the school has policies and procedures which provide guidance in relation to compensation or one-off payments.</p> <p>g) Review a sample of (10) payments and determine:</p> <ul style="list-style-type: none"> <li>o If the payments related to the operation of the school</li> <li>o are in accordance with school policy and;</li> <li>o are authorised in line with school delegations</li> </ul> <p>Provide a summary of all payments reviewed including value of payment</p>	<p>f) School advises that one off payments are either ex gratia or reimbursement of expenses. Staff procedures manual (Teaching &amp; Support staff) provide guidance in relation to reimbursement of expenses</p> <p>Payments are also made to Staff who are required to attend camps / excursions overnight and are paid at the rate of \$50 per night per staff member. These payments are paid through payroll and taxed.</p> <p>g) A sample of payments to staff for attending overnight camps/excursions were reviewed as part of payroll testing, all appropriately authorised in line with delegations and no exceptions noted.</p> <p>Ex gratia payment on retirement to former staff member. Refer detail at Test 9.</p>

<b>Regulation: Section 83 C(2)</b>		
<i>(b) any payment is made by the school to a related entity or other person or body:</i>		
<i>(i) for property, goods or services at more than reasonable market value, or</i>		
<i>(ii) for property, goods or services that are not required for the operation of the school, or</i>		
<i>(iii) for property, goods or services that is in any other way unreasonable in the circumstances having regard to the fact that financial assistance is provided to or for the benefit of the school by the Minister</i>		
<b>Risk</b>	<b>Agreed Upon Procedure</b>	<b>Testing Results</b>
Student Scholarships and Cash Prizes are not in accordance with policy and/or are not authorised.	<ul style="list-style-type: none"> <li>h) Determine if the school has policies and procedures which provide guidance in relation to student scholarships and cash prizes.</li> <li>i) Review any payments of this nature. Determine if they are in accordance with school policy and authorised in line with school delegations.</li> </ul>	<ul style="list-style-type: none"> <li>h) The fee discounts policy details the arrangements in place for Student Scholarships.</li> <li>i) Scholarship payments selected from general ledger and reviewed. No exceptions noted.</li> </ul>
27. Student Fee Concessions and Remissions are not in accordance with policy and/or are not authorised.	<ul style="list-style-type: none"> <li>j) Assess whether the school has policies and procedures on Student Fee Concessions and Remissions.</li> <li>k) Review any payments on Student Fee Concessions and Remissions. Determine if these payments have been made in accordance with the school's policy and authorised in line with school delegations.</li> </ul>	<ul style="list-style-type: none"> <li>j) The fee discounts policy details the arrangements in place for Student fee concessions and remissions</li> <li>k) Fee concessions selected from general ledger and reviewed. No exceptions noted.</li> </ul>
28. Write off or sale of doubtful debts (where legally allowed) is not in accordance with policy and/or not authorised.	<ul style="list-style-type: none"> <li>l) Assess whether the school has policies and procedures on write off or sale of doubtful debts.</li> <li>m) Review any write off or sale of doubtful debts in the past 12 months. Determine if they are in accordance with school policy and authorised in line with school delegations.</li> </ul>	<ul style="list-style-type: none"> <li>l) No specific policy. Governance Manual details delegated authority for write-off of debts.</li> <li>m) For the year ended 31 December 2018, \$21,281 were listed in the audited accounts as bad debts written off. Transactions reviewed and were authorised in accordance with delegations.</li> </ul>
29. Payments are made to related parties that do not relate to the operation of the	n) Review the school's Conflict of Interest Policy. Determine if the Policy provides appropriate	n) Sections 3 and 4 of the Governance Manual provides detailed guidance on conflicts of interest and related party transactions. Detailed forms for annual declarations of COI and Related Party transactions are also provided for

<p><b>Regulation: Section 83 C(2)</b></p> <p><i>(b) any payment is made by the school to a related entity or other person or body:</i></p> <p><i>(i) for property, goods or services at more than reasonable market value, or</i></p> <p><i>(ii) for property, goods or services that are not required for the operation of the school, or</i></p> <p><i>(iii) for property, goods or services that is in any other way unreasonable in the circumstances having regard to the fact that financial assistance is provided to or for the benefit of the school by the Minister</i></p>			
	<b>Risk</b>	<b>Agreed Upon Procedure</b>	<b>Testing Results</b>
	school and/or exceeds reasonable market value.	<p>guidance in relation to Related Party Transactions.</p> <p>o) Review the Related Party Transactions Register. Select a sample of (10) transactions and obtain the supporting documentation for the transaction. Record the nature and value of the related party transaction (highlighting if the transaction did not appear to benefit the school and/or was not within the school's delegations.</p>	<p>completion by Board members and staff. Related Party Transactions Policy also provides detailed guidance on related party transactions.</p> <p>o) Related party transactions recorded are;</p> <p>i. The payment of rent to ICL Limited for the land on which the school sits (refer information related to lease above)</p> <p>ii. Receipt of rent from the preschool (refer licence agreement commentary above)</p> <p>iii. Receipt of rent from Menai Baptist Church (refer licence agreement commentary above)</p> <p>Note: Board members and senior staff also required to complete annual related party declarations. These were reviewed and no issues of concern noted.</p>
<p><b>Regulation: Section 83 C(2)</b></p> <p><i>(c) any payment is made by the school to a person in connection with the person's activities as a member of the governing body of the school unless it is in reimbursement for a payment made by the person in connection with the operation of the school.</i></p>			
30.	Payments are made to members of the governing body other than reimbursement of reasonable expenses	<p>p) Assess whether school policies and procedures exist which deal with payments made to members of the governing body.</p> <p>q) Test a sample of (10) payments to members of the Governing Body. Determine the nature of the payment i.e. what the payment was for. Determine if the payment was supported by</p>	<p>p) Detailed in the Governance Manual (sections 3 &amp; 4) and the Related Parties policy.</p> <p>q) Two payments made;</p> <p>i. Accommodation reimbursement for Chairman to attend AFISA Forum on Education</p>

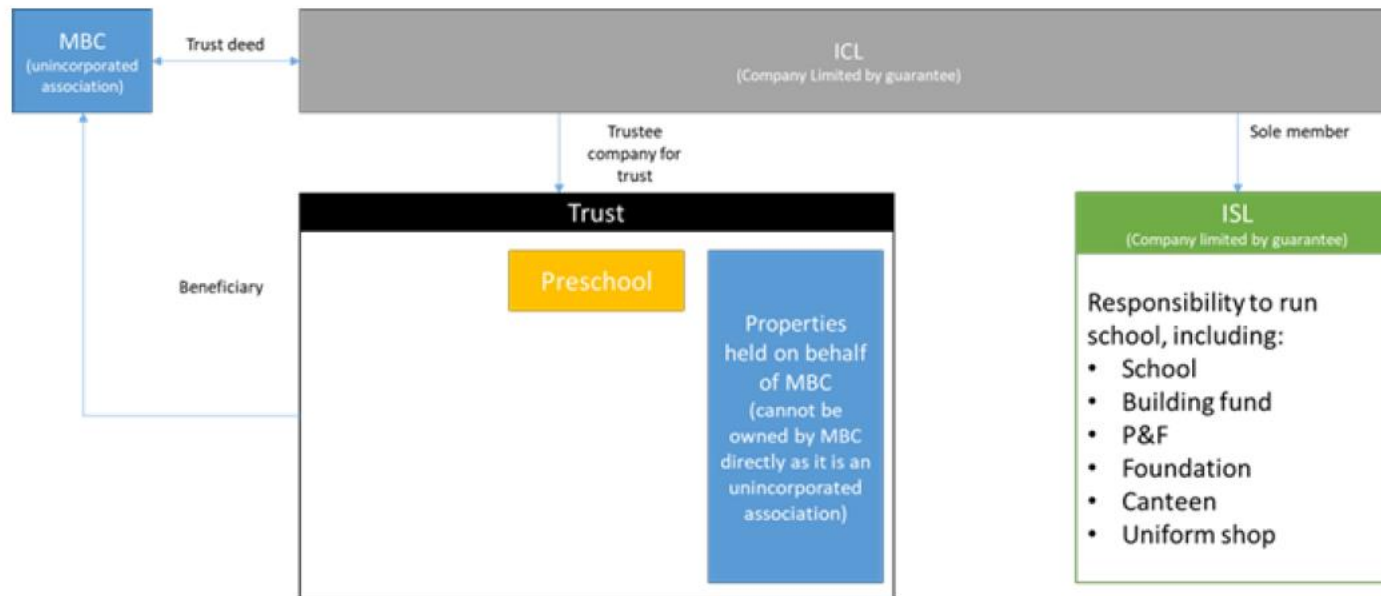
<p><b>Regulation: Section 83 C(2)</b></p> <p><i>(b) any payment is made by the school to a related entity or other person or body:</i></p> <p><i>(i) for property, goods or services at more than reasonable market value, or</i></p> <p><i>(ii) for property, goods or services that are not required for the operation of the school, or</i></p> <p><i>(iii) for property, goods or services that is in any other way unreasonable in the circumstances having regard to the fact that financial assistance is provided to or for the benefit of the school by the Minister</i></p>			
	<b>Risk</b>	<b>Agreed Upon Procedure</b>	<b>Testing Results</b>
		<p>documentation and approved in line with school delegations.</p> <p><i>Note: Section 83C allows for payments to members of the Governing Body as employees or as consultants/suppliers. These would be tested in accordance with the employee benefits and/or related party provisions outlined above.</i></p>	<p>ii. Reimbursement to Principal (Ex Officio Board Member) of Telephone / Internet costs as part of Salary Package.</p> <p>Both transactions appropriately approved and no exceptions noted.</p>

COMMERICAL

# Appendix A: Inaburra School Organisational Chart

Executive - 2019		
Dr James Pietsch	Principal	Principal's office (Level 4)
Mr David Collins	Deputy/Head of Senior School	Level 3 admin area
Mr Andrew Coote	Head of Junior School	Junior School
Mrs Karen Easton	Director of Teaching and Learning K-12	Level 3 office (end of passageway)
Mr Liam Bailey	Director of Curriculum (Senior School)	Level 3 office area
Mrs Sue Gaskell	Director of Student Services	Level 3 (next to the Tardis)
Mrs Mel Clarke	Director of Welfare	Level 3 admin area
Mrs Lye Chan Long	Director of Research and Enrichment	Learning Commons Staff Room
Mr Stephen Brissenden	School Administrator & Company Secretary	Level 4
Mr John Bromley	Bursar	Level 3 admin area
Mrs Monique Clement	Director of Community Relations	PAC Level 3
Other Leaders - 2019		
Mrs Gillian Powell	Director of Compliance	Level 3 office (end of passageway)
Mr Liam Bailey	Learning Leader Curriculum	Level 3 office area
Mr Daniel Watson	Academic Administrator / Global Ed Leader	Level 3 office (7am-8:10am) / English Staffroom
Mr Glenn Snowball	Stage and Screen Leader	Performing Arts Staffroom
Mr Ben Gibson	Chaplain (K-12) / Learning Leader Biblical Studies (7-12)	Biblical Studies Staff Room
Mr Peter Blake	Learning Commons Manager	Learning Commons
Mr Jason Hosking Ms Mel Chuck	Junior School Musical Production/Producer Junior School Musical Production/Director	Junior School
Mrs Julie Davis	Director of Curriculum (K-6)	Junior School
Mrs Julie Chisholm	K – 12 Library Coordinator	Senior and Junior School

# Appendix B: Inaburra Communications Limited





# Appendix C: Related Party Transaction Register

## Transactions with related parties:

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated

The following transactions occurred with related parties:

	2018 \$	2017 \$
Rental income		
Inaburra Preschool	72,000	-
Menai Baptist Church	20,800	-
	<u>92,800</u>	<u>-</u>
Rental expense		
Menai Baptist Church	190,000	-
	<u>190,000</u>	<u>-</u>
Employee benefits expenses		
Key management personnel remuneration	848,178	-
	<u>848,178</u>	<u>-</u>

COMMERCIAL

# Appendix D: Directors Qualifications and Experience

## Information on Directors

### Jeremy Baillie

Qualifications

Experience

- Director
- B Bus.
- Jeremy has worked extensively in the aviation industry for the past 28 years. He has worked in a diverse range of areas including Engineering, Commercial and Operational. Jeremy is currently the Manager of the Integrated Operations Centre for Qantas Airways.

### John Cross

Qualifications

Experience

- Director
- B.Econ(Syd); Grad Dip Mgt (Wollongong); C.A; JP (NSW)
- After working in Chartered Accounting firms for 9 years, John moved to the Not-for-Profit sector. This has included a senior role within the Anglican Diocese of Sydney (Youth and Education), and 10 years as Executive Director School Services at St Andrew's Cathedral School which concluded at the end of 2018. Currently in retirement undertaking consultancy roles for not for profit organisations.

### Robert Dougall

Qualifications

Experience

- Chairperson
- B Com (with Merit); FCA (ICAEW); CA; FCPA; FFTP; MAICD
- Robert has over 20 years of experience in the Mining Industry most recently as the CFO of Centennial Coal Company Limited. Prior to entering the mining sector, he practised as a Chartered Accountant with Coopers & Lybrand (now known as PricewaterhouseCoopers). He has held a number of Non-Executive Director roles chairing both Finance and Audit & Risk Sub-Committees. Robert is currently a non-executive director of Auscoal Superannuation Pty Ltd the trustee for the Mine Superannuation Fund.

### Phillipa Hermann

Qualifications

Experience

- Director
- B.App. Sci. (Speech Pathology); A.S.D.A; S.P.A
- Phillipa has worked in her field of Speech Pathology for more than 40 years, initially within a Community Health setting and, since 1990, in her own Private Practice engaging with many local schools and preschools. She was Chairperson of Inaburra Preschool from 2006 to 2016.

### Rev. Dr. Timothy MacBride

Qualifications

Experience

- Director
- B.Th.(Hons); M.Th; Th.D; B.Mus; A.Mus.A.;
- Tim studied music at Sydney University and worked briefly as a musician, and then in a Marketing/IT role in the shipping industry. In 1999, Tim entered pastoral ministry, serving on the Narwee Baptist Church pastoral team for more than a decade. For the past eleven years he has been a member of the faculty at Morling Theological College, lecturing in New Testament and Preaching.

### Emma Penzo

Qualifications

Experience

- Director
- GAICD; BEc(Hon); MBus; MPolEco; GDip. Divinity
- Emma's experience spans the Retail banking and financial services sector in the areas of Strategy Development and Execution, and Marketing. Her employers have included Accenture, Westpac, CUSCAL, ING Direct and she directly consults to SME's in the area of strategy and governance. Emma is currently undertaking doctoral research in the area of NGO governance. Emma's executive experience spans the retail banking, financial services, and the education sector in the areas of strategy development and execution and strategic marketing and governance. She is a non-executive director of an international aid agency. She is currently employed at the Australian Banking Association.

Owen Thomas  
Qualifications  
Experience

- Director
- B.Com (UNSW); MHA (UNSW);
- Owen has over 30 years healthcare industry experience in both the public and private sectors in a variety of executive and managerial roles, including in our local area having worked for some years as General Manager of both Sutherland Hospital and then St George Hospital. Currently Owen works as a Consultant to the healthcare industry and holds the position of Director with Studer Group Australasia.

Alison Wolf  
Qualifications  
Experience

- Director
- BCom, CA
- Alison has 17 years experience working as a Chartered Accountant for BDO. She spent 9 years in audit working with clients in both the for-profit and not-for-profit sectors. She now works for BDO Australia's IFRS Advisory group and BDO Global's IFR Advisory group.

Stephen Brissenden  
Qualifications  
Experience

- Secretary
- AIMM
- Stephen has served as Administrator and Company Secretary for the past 29 years. Prior to this Stephen was self-employed.

CONFIDENTIAL