

# Non-Government Schools Not-For-Profit Good Governance Principle 5 – Clear processes for management and oversight

Good governance arrangements ensure school proprietors and boards<sup>1</sup> manage their affairs with suitable oversight and accountability, and are critical for meeting not-for-profit (NFP) obligations under section 83C of the *Education Act 1990 (NSW)* (the Act).

To help schools develop and maintain good governance practices, the Non-Government Schools Not-for-Profit Advisory Committee has developed a set of [Guiding Principles for Good Governance](#).

## Good Governance Principle 5: Clear processes for management<sup>2</sup> and oversight states that:

'Boards should operate on an informed basis. Appropriate processes and structures should be put in place to ensure boards are provided with timely, relevant and accurate information to guide decision making.

Each board member should exercise independent judgment and have input to decisions. Board decisions should be appropriately documented. Appropriate policies and processes to guide the financial and operational management of the school (including any board functions delegated to school management) should be well documented and accessible.'

School board members are responsible for overseeing, managing and holding school executive to account. Ensuring that boards have clear processes for

management and oversight is an essential component of school board governance arrangements, and allows boards to improve decision making and meet their legal obligations, including the obligation to operate NFP. The key elements of this principle are:

- Oversight and management of school operations.
- Guiding financial and operational management.

### Oversight and management of school operations

The board has a responsibility to stay informed of the school's operations. Having accurate and current information on the school will allow the board to make informed decisions that are in the best interest of the school.

Clearly defining the roles and responsibilities of the board, the school executive and how they will work together is an important first step to ensure suitable oversight and management of school operations. A delegations policy can be utilised to define the functions of

<sup>1</sup> 'Proprietors and Boards' refers to all members of the governing body of the school sometimes also referred to as 'directors'. In these documents the governing body is referred to as the 'school board' or 'board members'.

<sup>2</sup> 'Management' is used in this Good Governance Principle to describe the role that board members have overseeing, managing and holding the school executive accountable. It does not refer to the day-to-day running of the school which is the responsibility of the school executive.

the board and executive. This allows both groups to be clear on what is required of them and the information needed to perform their respective roles and responsibilities.

Subgroups/subcommittees can be used where required/appropriate to strengthen oversight but are not decision-making groups themselves. These can be useful where the school is undertaking a large project (for example, construction of a new sports centre) or where there is a lack of expertise among the board for a particular issue. The delegation policy will outline any membership requirements of subcommittees and provide guidance on appointment processes.

There should also be a clearly outlined schedule of reports and updates that the school executive is required to provide the board with qualitative and quantitative information including budget, enrolments and complaints reports. Relevant executive staff should attend board meetings to answer any queries about these reports (see **Good Governance Principle 9: Responsible management of finances** for information on management of financial reporting).

It is critical that each board member exercise independent judgement when providing input to decisions of the board, as this contributes to having clear oversight and management. Board members should review any materials required to make a decision before meetings, and request any additional information needed to make an informed decision, not simply follow the majority. Board discussions should be clearly documented in meeting minutes including any dissenting views (see **Good Governance Principle 6: Integrity in reporting** and **Good Governance Principle 3: Board structure and suitability of board members**).

## Guiding financial and operational management

Establishing appropriate policies and procedures can assist boards in their financial and operational management. In addition to a delegations policy, boards should implement the following:

- Compliance calendar – this allows boards to track when compliance obligations fall due, prepare for these key decisions and assists in meeting regulatory obligations.
- Policy review process – implementing a regular review process for all policies, procedures, employee contracts ensures that the board has proper oversight of school operations.
- Transparent and easily accessible systems for document/record management (that is, cloud based document storage systems).
- Financial management policy – outlining the minimum standards and practices for management and reporting of finances as well as who has authorisation of financial transactions and the approvals process for large transactions (see **Good Governance Principle 9: Responsible management of finances** for detailed information on financial management process).

## Case studies

### Case study A – Ineffective process for management and oversight

Sadie Ltd is the proprietor of Kids First College and operates one school only. The school needs to recruit external management services for management and assigns the task to one board member who selects a company to provide the services and negotiates the terms. The Board did not consult its procurement processes or follow its delegations policy. Additional quotes are not obtained and the price is not independently assessed for reasonable market value. Other board members are not consulted during the negotiations and a copy of the contract is not provided to members before it goes to the board meeting for approval. One board member objects to the process for engaging the contract and the terms of the contract but this is not recorded in the minutes.

The Board **did not** follow clear processes for management and oversight as they failed to:

- Stay within its strategic role and overstepped by engaging in the day to day operations of the school.
- Follow its procurement policy (multiple quotes were not obtained for the services) or delegations policy.
- Ensure all board members were provided with appropriate information to make a decision on the arrangement (they were not provided with the contract ahead of the meeting).
- Properly record board discussions and decisions in the board meeting minutes.

Failing to following clear processes for management and oversight meant the school also faced compliance action for breaching its NFP obligations by paying above reasonable market value for the external management services.

### Case study B – Effective processes for management and oversight

Queeny Ltd is the proprietor that operates Prince School, a growing metropolitan primary school. The strategic plan for Prince School includes a 3 year plan to start a secondary school based on projected enrolment growth and current expressions of interest.

The Board has well-established roles and responsibilities clearly outlined in the school's governing documents, however they currently do not have board members with the required skills or knowledge to properly oversee the expansion plan. The Board consults the delegations policy and establishes a subcommittee to outline and oversee the expansion plan. The subcommittee is provided with clear terms of reference.

The subcommittee includes 2 board members with finance expertise, Prince School's Chief Finance Officer (CFO), and 2 independent people with professional construction and project management experience. The subcommittee gathers information and makes recommendations for the Board to approve.

The subcommittee provides regular updates at board meetings, prepares reports and reviews independent advice including cost benefit analyses on alternative expansion options. All information is provided to the Board in advance of the meeting to allow members time to review and ask any questions regarding the proposal.

The subcommittee provides the Board with a proposed expansion plan to build a second story on the school building to accommodate a secondary school. All relevant documents are provided to the Board in advance of the meeting, including the multiple quotes that were obtained for the construction costs and details of the alternative plans, that is, purchasing additional land and buildings at a separate site and why building a second story is the preferred option.

The Board had clear processes for management and oversight and implemented them by:

- Following its procurement and delegations policies.
- Seeking external independent advice.
- Having clear delineation of the role and responsibilities of board members and the subcommittee.

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