

Non-Government Schools Not-For-Profit Good Governance Principle 6 – Integrity in reporting

Good governance arrangements ensure school proprietors and boards¹ 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 6: Integrity in reporting states that:

‘Boards should establish and maintain rigorous and independent reporting processes to maintain their integrity as a governing body. All board level decisions should be accurately reported and records maintained per legal requirements.’

Integrity underpins high-quality information that school boards need to effectively govern. The 3 key elements of this principle, outlined in the following sections, are:

- Rigorous and independent reporting processes.
- Accurate reporting of board decisions.
- Maintaining records in line with legal requirements.

Rigorous and independent reporting processes

Rigorous reporting processes rely on information that is clear, consistent and complete.

A key function of a school’s board is to make decisions regarding the strategic direction, high level activities, compliance obligations and the overall performance of the school. Boards routinely receive the information they need to make decisions through board papers.

These papers are typically prepared by people other than board members (that is, school executive staff, board sub-committees etc). Board papers should be prepared drawing on the advice of relevantly qualified professionals (either within the school executive or from independent and external professionals for example, auditors or accountants).

Board members have an obligation to exercise due diligence when reviewing board papers, ensuring they have access to sufficient and appropriate information to assist them in their decision making.

When making certain decisions, school boards may need to access external independent and expert advice. This includes legal advice, independent financial advice (from auditors²) or other types of independent professional advice (for example, advice from an independent governance professional regarding board operational matters).

¹ ‘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’.

² Auditors are required by law to be independent from the school. The ASIC website sets out the legislation and standards of independence requirements to which auditors must comply.

Independent advice is important as it reduces the risks of conflicts of interest and helps board members critically evaluate issues.

Accurate reporting of board decisions

Board decisions, which are recorded in the minutes of board meetings, should present an accurate and clear record of the board's work. Accurate reporting of board decisions:

- Ensures future board members understand the rationale and process for past decisions.
- Enables boards to answer questions about their current decisions.
- Provides an important record in the event of a subsequent incident.

Board Minutes

Board minutes may not need to be a full transcript of the meeting but should contain:

- Key discussion points for each agenda item including information or advice relied upon and risks considered.
- Reports considered by the board, whether from internal or external parties.
- Reported conflicts of interest and whether relevant board members excused themselves in situations where they had an actual or perceived conflict of interest.
- Rationale for decisions and details of any dissenting views.

Minutes are generally prepared and maintained by a board secretary. They should be reviewed by the board at the subsequent meeting and signed by the chair, before being included in the official governance records of the school. Board members should have ready access to all minutes and associated documents.

Advice on best practice in reporting board decisions is available from organisations such as the [Australian Charities and Not-for-Profits Commission](#) (ACNC) and the [Australian Institute of Company Directors](#) (AICD).

Maintaining records in line with legal requirements

Non-government schools are required to lodge annual financial returns and information about their governing body or board members to a range of agencies.

Board members must ensure records are kept, stored and can be provided to meet their obligations under the NFP provisions of the Act. Keeping appropriate records also enables schools to meet relevant requirements that are monitored and enforced by other agencies and authorities including:

- NSW Department of Education (DOE)
- NSW Education Standards Authority (NESA)
- Department of Education, Skills and Employment (DESE)
- Australian Charities and Not-for-Profits Commission (ACNC)
- Australian Securities and Investments Commission (ASIC).

[The Non-Government Schools Not-for-Profit Guidelines](#) provides detailed information on the records each school must keep in order to meet its NFP and reporting obligations. If a school is not able to produce these records when requested, the NSW Minister for Education may initiate compliance action.

The ACNC also provides a useful [checklist](#) that schools can use to check their record keeping practices.

Privacy

Schools must meet their obligations under the *Privacy Act 1988 (Cwth)* and

Health Records and Information Privacy Act 2002 (NSW) when collecting and storing the following types of information:

- personal information
- sensitive information
- health information.

Case studies

Case study A – Appropriate integrity in reporting

The East School is considering entering into a lease for a vacant piece of land next to the school to further the delivery of the school's agriculture syllabus. The block of land is owned by a community organisation and one member of the school's board is also on the Board of this community organisation, making this a related entity transaction.

The Board is aware of the risks of entering into related entity transactions and carefully prepares for the upcoming meeting where it will consider whether the school should enter into the lease.

Two weeks before the meeting, the school's board members receive the agenda and papers for discussion, including:

- A report from an independent financial advisor on whether the school can fund the lease.
- Confirmation that the site is zoned for the intended use of the land.
- An independent report from a suitably qualified professional that evaluates the merits of this piece of land against other available properties, taking into account 3 independent valuer's assessments of the property's market value.
- NSW Department of Education Not-for-Profit Guidelines for Non-Government Schools.
- The full proposed lease agreement with clearly expressed terms and rental fees.
- Updated related party transactions register in line with the requirements set by NESAs.

During the board meeting, the board member who also sits on the board of the community organisation excuses herself from the decision-making process. The Secretary records the board member's conflict of interest in the meeting minutes and notes that she left the room.

After extensive discussion, 5 of the remaining 6 board members agree that entering into the lease, and agreeing to the terms therein, is in the best interests of the school's students. One board member disagrees with the terms of the lease, but accepts that the land under consideration is the best of the available options. The Secretary records that board member's dissent and the reasons for the Board's decision in the minutes.

Shortly after the meeting, the minutes and updated related party transactions register are emailed to all of the board members so that they can confirm the accuracy of the record and suggest relevant amendments. The minutes, with any relevant amendments are then signed by the Chair and stored electronically, with the accompanying discussion papers, at the school. These records can be easily accessed by members of the Board. In line with the school's policy, the records will be archived after seven years.

The Board practiced appropriate integrity in reporting:

- Board members received an agenda and information relevant to the issue (papers/reports) with enough time before the meeting to enable an informed decision to be made.
- Minutes contained an appropriate level of detail including the Board's discussion, documents used, dissenting views, conflicts of interest and the final decision made.
- Board members had an appropriate opportunity to review the minutes and suggest amendments.
- The minutes are kept in a readily accessible location for an appropriate time before being archived.

Case study B – Lack of appropriate integrity in reporting

Little Buddies College is looking for an external provider to operate the school's canteen services. The proprietor of the College is Little Buddies College Ltd. A proposal has been submitted by a catering business whose owner is the cousin of a school board member.

The proposal is added to the agenda for the upcoming school board meeting that is 3 days away. No details of alternative catering businesses, the proposed service agreement, report on the market value of the canteen or updated related party register are distributed to board members.

At the board meeting, the board member who is the cousin of the catering business owner declares that she may have a conflict of interest but continues to participate in the discussion about whether the school should accept the application. The Secretary notes the board member's declaration.

Although the board has a procurement policy which requires consideration of at least 3 providers when making decisions about services at the school, the Board does not refer to this policy and no alternative providers are considered. The Secretary records the decision, but does not record any details of the reasons for that decision, any dissenting views, or the agreed terms of the service agreement.

After the meeting, the minutes are signed by the Chair without being emailed to all board members to confirm their accuracy. Minutes are then stored electronically at the school, and are accessible by members of the Board. In line with the school's policy, the minutes will be archived after 7 years.

The Board did not practice appropriate integrity in reporting:

- There was insufficient time and inappropriate documentation for the Board to make an informed decision. The Board should have received, at an appropriate time before the meeting, papers/reports that outlined:
 - an independent market valuation of the school canteen
 - independent financial advice on whether the school could afford to outsource the canteen service
 - alternative proposals, in line with the school's procurement policy
 - the full service agreement
 - updated related party register.
- The minutes should have contained a summary of the board's discussion.
- The board member with the conflict of interest should have excused herself from the decision-making process.
- Board members were not given the opportunity to review the minutes for accuracy ahead of them being signed by the Chair.

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