

Non-Government Schools Not-For-Profit Advisory Committee



2016 Non-Government Schools Audit Program

An annual risk-based audit program assists the NSW Department of Education identify potential areas of non-compliance by schools with the not-for-profit requirements of the NSW *Education Act 1990* (the Act). It examines the financial practices of a number of regional and metropolitan schools in NSW each year.

The audit process can be a useful health check for schools, identifying areas of financial management and governance that may require strengthening. It also offers an opportunity for schools to have the appropriateness and accuracy of their documentation and record keeping verified externally.

Ernst & Young conducted the 2016 audit program and they will do so again in 2017.

The 2016 audit program has now concluded and recurrent themes that emerged include the need for:

- Improved arrangements for the leasing of school property and other assets;
- Agreed policies for payments for property, goods and services; and
- Appropriate documentation to be accessible and available for the auditors.



Leasing of School Property and Other Assets

Schools should have formal written lease agreements in place for all school leases and other arrangements with third parties. Rent should be at no more than reasonable market value for the property.

Specific issues identified through the 2016 audits included:

- A lack of formal written agreement between schools and landlords
- Rental rates that were not at reasonable market value
- Expired lease agreements that need to be updated
- Lease agreements that were not specific to the operation of the school and included other entities.

The [Non-Government Schools Not-for-Profit Guidelines](#) (section 6.1.2) indicate that schools may exercise discretion in entering into leases for property and other assets that comply with the Act. The [Guidelines](#) re-iterate that to be compliant leases and similar arrangements entered into by schools as the lessee must be:

1. required for the operation of the school;
2. at no more than reasonable market value for the property or assets; and
3. reasonable in the circumstances, having regard to the fact that government financial assistance is provided to the school.

The [Guidelines](#) also outline the records that may assist schools to demonstrate section 83C compliance in relation to the leasing of property and other assets required for the operation of the school. These include a formal written lease agreement for all school leases and similar arrangements and evidence that the market value of the lease has been tested.



Payments for Property, Goods and Services

Schools should review and update their Purchasing Policies and School Credit Card Policies to accurately reflect what actually happens in practice and ensure that payments for property, goods and services comply with the requirements of the Act.

The [Guidelines](#) state that non-government schools that receive NSW Government funding should ensure that procurement policies and practices comply with the not-for-profit requirements under the Act.



A school credit card policy can demonstrate compliance in relation to certain school purchases. It should outline procedures for: the allocation and use of school credit cards; the regular acquittal of school credit card expenditure by a responsible person for the school who is not the cardholder; and the submission/retention of purchase receipts.

Schools should re-test the market for long standing supply arrangements and obtain comparable quotes to ensure schools are receiving services at reasonable market value. Schools are reminded to review, and if necessary update, their purchasing policy to:

- ensure policies and procedures exist for testing the market value of purchases at different cost thresholds;
- clarify requirements for obtaining quotations for expenses;
- outline any exceptions to the purchasing policy; and
- Include a clause that services provided by longstanding suppliers are to be re-tendered at a minimum of every three years.

The availability of audit documentation

Schools should retain their own documentation and ensure it is readily available and accessible by auditors.

Ten days prior to a NSW Department of Education audit, Ernst & Young will provide schools with a Client Assistance Schedule (CAS). The CAS outlines the documentation the auditors will need to see and analyse before they can complete the audit.

All schools, including those that are a part of a system of schools, need to ensure that this documentation is available at the school during the audit.



“Schools should consult the Guidelines as these provide practical guidance on compliance with the Act and can minimise the risk of non-compliance.”

Schools should consult the [Guidelines](#) as these provide practical guidance on compliance with the Act and can minimise the risk of non-compliance. The [Guidelines](#) can be found on the NSW Department of Education [website](#). Support, resource manuals and sample documentation can also be obtained from the Association of Independent Schools of NSW and the Catholic Education Commission NSW.